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A

PRACTICAL TREATISE

ON

BANKING.

BY

JAMES WILLIAM GILBART, F.R.S.

GENERAL MANAGER OF THE LONDON AND WESTMINSTER BANK.

"The best banking system may be defeated by imperfect management; and, on the other hand, the evils of an imperfect banking system may be greatly mitigated, if not overcome, by prudence, caution, and resolution."—*Report of the Committee of the House of Lords on the Causes of Commercial Distress*, 1848.

FIFTH EDITION.

IN TWO VOLUMES.

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TO

THE RIGHT HONOURABLE

LORD MONTEAGLE, F.R.S.

COMPTROLLER GENERAL OF HER MAJESTY'S EXCHEQUER, ETC. ETC. ETC.

WHO, AS

A DIRECTOR OF THE PROVINCIAL BANK OF IRELAND,

AS

CHANCELLOR OF THE EXCHEQUER,

AND AS

FRAMER OF THE REPORT OF THE COMMITTEE OF THE HOUSE OF LORDS

APPOINTED TO INQUIRE INTO

THE CAUSES OF THE COMMERCIAL DISTRESS OF 1847,

DISPLAYED A PROFOUND KNOWLEDGE OF THE PRINCIPLES

OF

PRACTICAL BANKING,

This Work

IS WITH PERMISSION MOST RESPECTFULLY DEDICATED,

BY

THE AUTHOR.

PREFACE.

In the Preface to my "History and Principles of Banking" I made the following remarks:—

"Banking is both an art and a science. As an art it is a branch of trade intimately connected with every man's business; as a science, it forms an important portion of political economy. The knowledge of banking as an art, is acquired like that of other arts, by serving an apprenticeship, or engaging practically in its operations. The knowledge of banking as a science may be acquired, like that of other sciences, by reading, observation, and reflection. These two branches of knowledge do not always accompany each other. Some, who are practically engaged in banking, do not study its principles; while those who have written upon its principles have for the most part been political economists and statesmen, who were unacquainted with its practical details. This publication will, perhaps, be thought worthy of some degree of attention, upon the ground that it

professes to be a scientific work, written by a practical man."

The present work professes to treat of banking as an art. Art is the application of knowledge to a practical end.* The practical end of banking, as of all other trades and professions, is to get money. This book treats of the means by which that end is obtained—points out the rules to be followed, and the errors to be avoided—shows how these rules are applied by various banking institutions, and in different districts of the United Kingdom—exhibits the qualifications necessary to the party by whom these rules are administered—and describes those moral virtues which are as indispensable as professional knowledge to the attainment of success.

It may be supposed, that in discussing the "effects of the Act of 1844," and "the Laws of the Currency," I have wandered beyond the limits of practical banking. But these matters are viewed only in their practical results. The principles of banking are deductions from facts. The science of banking is a collection of these principles. It is of importance to have a correct notion of the nature of this science. In the physical sciences, as in chemistry and electricity, we often discover a principle, and then apply it to a practical end. But in banking, and in political economy, generally, we first collect our facts, and then ascend from facts to principles. Hence, books in which are described the practical operations of banking, and

* Sir John Herschell.

the actual results of legislative enactments, furnish the materials which enable us to arrive at sound principles.

There are several classes of persons to whom I think this book may be more particularly useful.

The first class includes those public men who have occasion to write or to speak upon our banking institutions. Statesmen, authors, and reviewers, however correct may be their knowledge of banking as a science, often fall into mistakes when they attempt to describe its practical operations. Although it must be admitted that the principles of banking may be well understood without any acquaintance with details, yet it is equally true that if a public man have acquired a competent degree of practical information, his opinions will carry greater weight, and he will be less liable to fall into erroneous conclusions. They, especially, who are desirous of altering the constitution of our banking establishments, should be anxious not to weaken the force of their recommendations by making misstatements as to matters of fact. The public have a right to expect that they who attempt to improve a system should be well acquainted with the system they attempt to improve.

The second class are those who are practically engaged in banking operations. Those directors of our joint-stock banks, who may have been appointed chiefly on account of their high character and local influence, may derive from this work some practical information, which will assist them in the discharge

of their official duties. Young men too, who occupy subordinate stations in our banking establishments, may here acquire those enlarged views that will qualify them for higher appointments. One object of the work is to aid the formation of good practical bankers. Even to experienced bankers, books on banking are useful, not only from the information they impart, but from the impressions they produce, and the recollections they awaken. In banking, as in morals, we often go astray, more from want of firmness than from want of knowledge. We have all need to be reminded of the importance of a steady adherence to sound principles. And the more frequently the right path is pointed out to us, the less likely are we to wander into those which are forbidden.

The shareholders in joint-stock banks are a class to whom the subject must be of the deepest interest. Upon the wise administration of their respective banks will depend the amount of their dividends, and the safety of their capital. This book professes to show in what way this wise administration may be secured. Shareholders may here learn how to judge of the conduct of their directors, and (what is of no less importance) how to regulate their own.

To all persons who "keep bankers" it must be useful to know by what rules bankers manage their business. They will thus be able to conduct their account so as to give satisfaction to their banker. And they will be able to judge how far he may be disposed to grant them such assistance as they may

occasionally require. A large number of persons, especially in London, have not yet discovered the advantage of keeping a banker. They imagine that banks are merely places in which the opulent deposit their superfluous riches. The perusal of this work will be sufficient to show that the advantages of banking are not confined to the wealthy.

I do not know that I can promise much amusement, except to those who find amusement in the pursuit of knowledge. Banking is considered a *dry* subject. So are all subjects until they are understood. I think I may say, that neither in the matter nor in the style will my readers find anything here which they cannot understand. They who wish only for such a general acquaintance with banking as in the present day every man of education is expected to possess, may read the first volume, omitting the third, fifth, twelfth, thirteenth, and fourteenth sections. They may then consult their own taste as to whether they will read any other portions of the work. Should they do no more than this, they will obtain as much knowledge of practical banking as they will probably require for the purposes of general society, even in the company of bankers.

This book is designed to be useful to the public at large, by circulating that kind of information which, as it becomes more widely diffused, will tend to prevent a recurrence of those evils that have in too many instances resulted from the bad administration of some of our banking institutions. To give useful

information to the public has been the aim of this and of all my other works. When this book first appeared, there existed no other publication that described in detail the interior operations of a bank. I am happy to say, that since that period several valuable works of a similar kind have been published. And we are now presented monthly, in the Bankers' Magazine, with excellent articles on practical banking, written chiefly by practical bankers.

The first edition of this work was published in May, 1827; the second in January, 1828; the third in December, 1834; and the fourth in October, 1836. In the beginning of the year 1847, I determined to publish a new edition; but before I had prepared it for publication the pressure came, and Parliamentary Committees were appointed to inquire into the causes of the distress. My position required that I should make myself acquainted with the evidence given before those committees. I wrote out my reflections on some portions of this evidence, and have embodied them in the present work. Hence one cause of the increased size of the book, and of the delay which has attended its publication. This edition has the advantage of an elaborate Index, the uses of which are pointed out in the last section of the second volume.

I have been so long known as a writer on banking, and my writings have met with so much acceptance, that it is not necessary I should enumerate any claims I may be supposed to have on public attention. But there is one claim that gathers strength by time—

that is, experience. And in publishing a new edition of a practical work, it may not be inappropriate to state, that it is now upwards of thirty-six years since I first engaged in the business of banking, and I have been above twenty-two years a Manager. I am thankful to acknowledge, that during those twenty-two years I have not had one unsuccessful year.

J. W. G.

LONDON,
July 5th, 1849.

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ERRATA.

Page 3, line 13, *for* advance, *read* advances.
— 79, — 15, *for* till, *read* the till.
— 90, — 29, *for* sellers, *read* seller.
— 91, — 31, *for* sell, *read* to sell.
— 106, — 14, *for* to, *read* on.
— 109, — 25, *for* markets, *read* market.
— 115, — 3, *omit* thus.
— 125, — 18, *for* that, *read* than.
— 138, — 10, *for* it, *read* it has.
— 149, — 16, *for* are, *read* is.
— 280, — 7, *for* seventeen, *read* thirteen.
— 357, — 10, *for* Pices, *read* Pice.
— 450, — 26, *for* writes, *read* intends.
— 454, — 16, *for* larger, *read* large.
— 487, — 16, *for* 614,300, *read* 641,400.
— 489, — 24, *for* sixty-five, *read* seventy-five.
— 607, — 31, *for* bank, *read* banker.
— 641, — 2, *for* 1835, *read* 1845.

PART I.

OF PRACTICAL BANKING.

DE BELLO GALLICO BOOKS

BOOK I

A PRACTICAL TREATISE

ON

BANKING.

PART I.—OF PRACTICAL BANKING.

SECTION I.

THE NATURE OF BANKING.

"WHAT is it that we call a Banker? There is in this city a company or corporation, called goldsmiths, and most of those called bankers are of that corporation; but so far as I know, there is not a company or corporation in England called bankers, nor has the business any definition or description either by common law or by statute. By custom we call a man a banker who has an open shop, with proper counters, servants, and books, for receiving other people's money, in order to keep it safe, and return it upon demand; and when any man has opened such a shop, we call him a banker, without inquiring whether any man has given him money to keep or no; for this is a trade where no apprenticeship is required, it having never yet been supposed that a man who sets up the trade of banking, could be sued upon the statute of Queen

Elizabeth, which enacts, that none shall use any art or mystery then used, but such as have served an apprenticeship in the same."*

The term Bank is derived from *banco*, the Italian word for Bench, as the Lombard Jews in Italy kept *benches* in the market-place, where they exchanged money and bills. When a banker failed, his bench was broken by the populace; and from this circumstance we have our term *bank-rupt*.

A banker is a dealer in capital, or more properly a dealer in money. He is an intermediate party between the borrower and the lender. He borrows of one party, and lends to another; and the difference between the terms at which he borrows and those at which he lends, forms the source of his profit. By this means he draws into active operation those small sums of money which were previously unproductive in the hands of private individuals; and at the same time furnishes accommodation to those who have need of additional capital to carry on their commercial transactions.

Banks have been divided into private and public. A private bank is that in which there are but few partners, and these attend personally to its management. A public bank is that in which there are numerous partners, and they elect from their own body a certain number, who are entrusted with its management. The latter are usually called Joint-stock banks.

The business of banking consists chiefly in receiving deposits of money, upon which interest may or may not be allowed;—in making advances of money, principally in the way of discounting bills;—and in effecting the transmission of money from one place to another. Private

* Speech, delivered in the House of Commons, in 1746.—See the London Magazine for that year, page 120.

banks in metropolitan cities are usually the agents of the banks in the provinces, and charge a commission on their transactions. In making payments many country banks issue their own notes.

The disposable means of a bank consist of—First, the capital paid down by the partners, or shareholders. Secondly, the amount of money lodged by their customers. Thirdly, the amount of notes they are able to keep out in circulation. Fourthly, the amount of money in the course of transmission—that is, money they have received, and are to re-pay, in some distant place, at a future time.

These disposable means are employed—First, in discounting bills. Secondly, in advance of money in the form of cash credits, loans, or overdrawn accounts. Thirdly, in the purchase of government or other securities. Fourthly, a part is kept in the banker's till, to meet the current demands. Of these four ways of employing the capital of a bank, three are productive, and one is unproductive. The discounting of bills yields interest—the loans, and the cash credits, and the overdrawn accounts, yield interest—the government securities yield interest—the money in the till yields no interest.

The expenses of a bank may be classified thus: rent, taxes, and repairs of the house in which the business is carried on; salaries of the officers; stationer's bill for books, paper, notes, stamps, &c.; incidental expenses, as postages, coals, &c.

The profits of a bank are that portion of its total receipts—including discount, interest, dividends, and commission—which exceeds the amount of the expenses.

SECTION II.

THE UTILITY OF BANKING.

In the first place, banks are useful as places of security for the deposit of money. The circumstance which gave rise to the business of banking in this country, was a desire on the part of the merchants of London to obtain a place where they might lodge their money in security. Every one who has had the care of large sums of money, knows the anxiety which attends their custody. A person in this case must either take care of his money himself, or trust it to his servants. If he take care of it himself, he will often be put to inconvenience, and will have to deny himself holidays and comforts, of which a man who is possessed of much money would not like to be deprived.

If he entrust it to others, he must depend upon their honesty and their ability. And, although in many important cases a master is compelled to do this, yet he does not feel the same satisfaction as if the money was actually under his own care. Some instances of neglect, or of dishonesty, will necessarily occur, and these will occasion suspicion in reference to other parties against whom no suspicion ought to be entertained. Besides, in both these cases the money is lodged under the owner's own roof, and is subject to thieves, to fire, and to other contingencies, against which it is not always easy to guard.

All these evils are obviated by means of banking. The

owner of money need neither take the charge of it himself, nor trust to his dependents. He can place it in the hands of his bankers. They are wealthy men, and are responsible to him for the amount. If they are robbed, it is no loss to him: they are pledged to restore to him the amount of his deposit when he shall require it. Whenever he wants money he has only to write an order, or draft, upon his banker, and the person to whom he is indebted takes the draft to the bank, and without any hesitation or delay receives the money.

2. The bankers allow interest for money placed in their hands.

By means of banking the various small sums of money which would have remained unproductive in the hands of individuals, are collected into large amounts in the hands of the bankers, who employ it in granting facilities to trade and commerce. Thus banking increases the productive capital of the nation. At the origin of banking, "the new-fashioned bankers," as they were called, allowed a certain rate of interest for money placed in their hands. The banks of Scotland carry this practice to the greatest extent, as they receive upon interest so low an amount as ten pounds; and also allow interest on the balance of a running account. Many of the country bankers in England allow interest on the balance of a running account, and charge commission on the amount of the money withdrawn. The London bankers generally do not allow interest on deposit, but neither do they charge commission. All their profits are derived from the use of their customers' money. The banks of Scotland do not charge commission, although they allow interest on deposits; but then those banks have a profit by the issue of their notes. The London bankers do not issue notes.

3. Another advantage conferred upon society by bankers

is, that they make advances to persons who want to borrow money. These advances are made—by discounting bills—upon personal security—upon the joint security of the borrower, and two or three of his friends—and sometimes upon mortgage. Persons engaged in trade and commerce are thus enabled to augment their capital, and consequently their wealth. The increase of money in circulation, stimulates production. When bankers are compelled to withhold their usual accommodation, both the commercial and the agricultural interests are plunged in extreme distress. The great advantage arising to a neighbourhood from the establishment of a bank, is derived mainly from the additional supplies of money advanced in the form of loans, or discounts, to the inhabitants of the place. This principle is so well understood in Scotland, that branch banks are sometimes established in poor districts, with a view of obtaining a future profit from the prosperity which the bank will introduce.*

4. Another benefit derived from bankers is, that they transmit money from one part of the country to another.

There is scarcely a person in business who has not occasion sometimes to send money to a distant town. But how is this to be done? He cannot send a messenger with it on purpose—that would be too expensive. He cannot send it by post—that would be too hazardous. Besides, the sum may be some fraction of a pound, and then it cannot go by post. The post, too, takes a considerable time, as three letters at least must pass on the transaction. If he live in London he may obtain a bank post bill, but he cannot obtain that in the country: and he may not be able to obtain it in London for the exact sum he wants. How then is the money to be sent?

* Evidence before the Select Committee of the House of Commons, upon the Abolition of Small Notes, p. 43.

Every country banker opens an account with a London banker. If, then, a person lives at Penzance, and wants to send a sum of money to Aberdeen, he will pay the money into the Penzance bank, and his friend will receive it of the Aberdeen bank. The whole transaction is this: the Penzance bank will direct their agent in London to pay the money to the London agent of the Aberdeen bank, who will be duly advised of the payment. A small commission charged by the Penzance bank, and the postages, constitute all the expenses incurred, and there is not the least risk of loss.

Commercial travellers, who go collecting money, derive great advantage from the banks. Instead of carrying with them, throughout the whole of their journey, all the money they have received, when perhaps it may be wanted at home, they pay it into a bank, by whom it is remitted with the greatest security, and at little expense; and they are thus delivered from an incumbrance which would have occasioned great care and anxiety.

5. Wherever a bank is established, the public are able to obtain that denomination of currency which is best adapted for carrying on the commercial operations of the place. In a town which has no bank, a person may have occasion to use small notes, and have none but large ones; and at other times he may have need of large notes, and not be able to obtain them. But where a bank is established there can be no difficulty of this kind. The banks issue that description of notes which the receivers may require, and are always ready to exchange them for others of a different denomination. Banks, too, usually supply their customers and the neighbourhood with silver; and if, on the other hand, silver should be too abundant, the banks will receive it, either as a deposit, or in exchange for their notes. Hence, where banks are established, it

is easy to obtain change. This is very convenient to those who have to pay large sums in wages, or who purchase in small amounts the commodities in which they trade.

6. By means of banking there is a great saving of time in making money transactions.

How much longer time does it take to count out a sum of money in pounds, shillings, and pence, than it does to write a draft. And how much less trouble is it to receive a draft in payment of a debt, and then to pay it into the banker's, than it is to receive a sum of money in currency. What inconveniences would arise from the necessity of weighing sovereigns. What a loss of time from disputes as to the goodness or badness of particular pieces of money.

Besides the loss of time that must necessarily occur on every transaction, we must also reckon the loss which every merchant or tradesman, in an extensive line of business, would certainly sustain in the course of a year from receiving counterfeit or deficient coin, or forged notes. From all this risk he is exempt by keeping a banker. If he receive payment of a debt, it is in the form of a draft upon his customer's banker. He pays it into his own banker's, and no coin or bank notes pass through his hands. If he draws bills, those bills are presented by his banker: and if his banker take bad money it is his own loss.

7. A merchant or tradesman who keeps a banker, saves the trouble and expense of presenting those bills or drafts which he may draw upon his customers, or which he may receive in exchange for his goods. He pays these into the hands of his banker, and has no further trouble. He has now no care about the custody of his bills—no anxiety about their being stolen—no danger of forgetting them until they are over-due, and thus exonerating the in-

dorsers—no trouble of sending to a distance in order to demand payment. He has nothing more to do than to see the amount entered to his credit in his banker's books. If a bill be not paid it is brought back to him on the day after it falls due, properly noted. The banker's clerk and the notary's clerk are witnesses ready to come forward to prove that the bill has been duly presented, and the notary's ticket attached to the bill assigns the reason why it is not paid. But if any indorser of the bill has given a reference in case of need—that is, if any indorser has written on the back of the bill that some other party will pay it in case the accepter does not, then the notary takes the bill to the referee, and procures the money from him.

This circumstance alone must cause an immense saving of expense to a mercantile house in the course of a year. Let us suppose that a merchant has only two bills due each day. These bills may be payable in distant parts of the town, so that it may take a clerk half a day to present them. And in large mercantile establishments it would take up the whole time of one or two clerks to present the due bills and the drafts. The salaries of these clerks are therefore saved by keeping an account at a banker's. Besides the saving of expense, it is also reasonable to suppose that losses upon bills would sometimes occur from mistakes, or oversights—from miscalculation as to the time a bill would become due—from errors in marking it up—from forgetfulness to present it—or from presenting it at the wrong house. In these cases the indorsers and the drawers are exonerated; and if the accepter do not pay the bill the amount is lost. In a banking-house such mistakes are not so likely to occur, though they do occur sometimes; but the loss falls upon the banker, and not upon his customer.

8. Another advantage from keeping a banker in London, is, that by this means you have a continual referee as to your respectability. If a mercantile house in the country write to their agent, to ascertain the respectability of a firm in London, the first inquiry is, Who is their banker? And when this is ascertained, the banker is applied to through the proper channel, and he gives his testimony as to the respectability of his customer. When a trader gives his bill, it circulates through the hands of many individuals to whom he is personally unknown; but if the bill is made payable at a banking-house, it bears on its face a reference to a party to whom the accepter is known, and who must have some knowledge of his character as a tradesman. This may be an immense advantage to a man in business, as a means of increasing his credit; and credit, Dr. Franklin says, is money.

9. The keeping an account at a banking-house, enables a trader not only to give a constant reference as to his own respectability, but it also enables him to ascertain the respectability of other persons who keep bankers. There are numerous cases in which a trader may wish to know this. A stranger may bring him a bill, and want goods in exchange: or he may have drawn a bill upon a customer, and wishes to ascertain if this bill would be paid before he gave him any further credit. If this bill is not made payable at a banking-house, he can obtain no information. But suppose the bill is made payable at a banking-house; even then he can obtain no information, unless he himself has a banker. If he take the bill to the banker's, at whose house it is made payable, and say, "Gentlemen, I will thank you to inform me if the accepter of this bill be a respectable man—May I safely give goods or money in exchange for it?" They will reply, "Sir, we never answer such questions to strangers." But if the

holder of this bill keeps an account at a banker's, he has only to ask his banker to make the inquiry for him, and he will easily obtain the most ample information. Among nearly all the bankers in London, the practice is established of giving information to each other as to the respectability of their customers. For as the bankers themselves are the greatest discounters of bills, it is their interest to follow this practice; and indeed the interest of their customers also, of those at least who are respectable.

10. By means of banking, people are able to preserve an authentic record of their annual expenditure. If a person pays into his banker all the money he receives in the course of a year, and makes all his payments by cheques—then by looking over his bank-book at the end of the year he will readily see the total amount of his receipts, and the various items of his expenditure. This is very useful to persons who have not habits of business, and who may therefore be in danger of living beyond their means. It is useless to advise such persons to keep an account of their expenses—they will do no such thing; but when short of money at Christmas to pay their tradesmen's bills, they may take the trouble of looking over their bank-book, and noticing how many cheques were drawn for the purchase of unnecessary articles. A bank account is useful also in case of disputed payments. People do not always take receipts for money they pay to their tradesmen, and when they do the receipts may become lost or mislaid. In case of death or of omission to enter the amount in the creditor's books, the money may be demanded again. Should the payment have been made in bank notes or sovereigns, the payer can offer no legal proof of having settled the account; but if the account was discharged by a cheque on a banker, the cheque can

be produced, and the payment proved by the officers of the bank, who can be subpœnaed for that purpose.

11. Another advantage resulting from keeping a banker in London, is, that the party has a secure place of deposit for any deeds, papers, or other property that may require peculiar care. Any customer who pleases may have a tin box, which he may leave with his banker in the evening, and call for it in the morning. In this box he might place his will, the lease of his house, policies of insurance, or any other documents he wished to preserve against fire. Stock-brokers and others who have offices in the city, and live out of town, have such boxes, which they leave overnight with their banker for the sake of security, in preference to leaving them in their own office. If a party were going to the country he might send his plate or jewellery to his banker, who will lock it up in his strong room, and thus it will be preserved from fire and thieves until his return. Solicitors and others, who have deeds or other writings of importance left in their custody, can send them to the bank during the night, and thus avoid the danger of fire.

12. By keeping a banker, people have a ready channel of obtaining much information that will be useful to them in the way of their business. They will know the way in which bankers keep their accounts; they will learn many of the laws and customs relating to bills of exchange. By asking the banker, or any of the clerks, they may know which is the readiest way of remitting any money they have to send to any part of the country or to the continent. If they have to buy or sell any stock in the public funds, the banker can give them the name of a respectable broker who can manage the business; or should they be about to travel, and wish to know the best way of receiving money abroad; or be appointed executors

to a will, and have to settle some money matters—the banker will in these, and many other cases, be able to give them the necessary information.

13. Banking also exercises a powerful influence upon the morals of society. It tends to produce honesty and punctuality in pecuniary engagements. Bankers, for their own interest, always have a regard to the moral character of the party with whom they deal; they inquire whether he be honest or tricky, industrious or idle, prudent or speculative, thrifty or prodigal, and they will more readily make advances to a man of moderate property and good morals, than to a man of large property but of inferior reputation. Thus the establishment of a bank in any place immediately advances the pecuniary value of a good moral character. There are numerous instances of persons having arisen from obscurity to wealth only by means of their moral character, and the confidence which that character produced in the mind of their banker. It is not merely by way of loan or discount that a banker serves such a person. He also speaks well of him to those persons who may make inquiries respecting him: and the banker's good opinion will be the means of procuring him a higher degree of credit with the parties with whom he trades. These effects are easily perceivable in country towns; and even in London if a house be known to have engaged in gambling or smuggling transactions, or in any other way to have acted discreditably, their bills will be taken by the bankers less readily than those of an honourable house of inferior property.

It is thus that bankers perform the functions of public conservators of the commercial virtues. From motives of private interest they encourage the industrious, the prudent, the punctual, and the honest—while they discoun-

tenance the spendthrift and the gambler, the liar and the knave. They hold out inducements to uprightness, which are not disregarded by even the most abandoned. There is many a man who would be deterred from dishonesty by the frown of a banker, though he might care but little for the admonitions of a bishop.

SECTION III.

BANKING TERMS.

Query I.—Is the word Bank a singular or a plural noun?

The word BANK, being a noun of multitude, may have verbs and pronouns agreeing with it in either the singular or the plural number, yet not without regard to the import of the term as conveying unity or plurality of idea. In the use of this term the following rules are usually observed:—

1. When any operation or feeling of the mind is ascribed to a bank, the verbs and pronouns are placed in the plural—as, "The bank *were anxious* to meet the wishes of the public." "The bank *have concurred* in the measure proposed." "Are you one of the persons who tried the question with the Bank of Ireland, whether *they conceived themselves* bound to pay in gold at *their* branches?" "The Bank of England petitioned against this bill, and *were* heard by *their* Counsel; but *their* representations produced no effect, and the bill having passed through both Houses, received the Royal assent." The following examples, wherein mental operations are ascribed to a neuter pronoun, are violations of this rule: "The bank *allows* the party having the cash credit to liquidate any portion of his debt to the bank at any time

that may suit his convenience, and reserves to *itself* the power of cancelling, whenever *it shall think fit*, the credit granted." "It is usual for the bank when *it* gives a cash credit *to keep a watchful eye* over the person having that cash credit."

2. When a reference is made to a bank merely as an institution, the term is considered to belong to the singular—as, "The Bank of Scotland continued the only bank from the date of *its* establishment, in 1695, to the year 1727. In that year a charter of incorporation was granted to certain individuals named therein, for carrying on the business of banking, under the name of the Royal Bank; and subsequent charters were granted to this establishment, enlarging *its* capital, which now amounts to one million and a half." "The National Bank of Scotland *has* 1,238 partners." "If this measure be carried into effect, the Provincial Bank must instantly be deprived of any sufficient means of reimbursing *itself* for the heavy expense to which *it has* been subject." "*Has* your bank an establishment at Kirkcudbright?" "The Bank of England *has* the control of *its* issues entirely within *itself*."

3. When we notice the rules or habitual acts of a bank, the word belongs to the singular—as, "The Provincial Bank *allows* interest at the rate of two per cent." "The bank *draws* bills upon London at twenty-one days after date." "The bank *discounts* bills at the rate of four per cent." "The bank *issues* notes payable in gold at the place of issue." "The London and Westminster *grants* interest upon deposits—*it does* not allow *its* officers to receive Christmas presents from *its* customers." In reference to cases that fall under this rule, there is, however, some contrariety of practice:—"*Do* the Provincial Bank *issue* post bills? *They do* not." "Have the Bank

of Ireland at *their* branch in Cork been in the habit of receiving gold to any amount in payments?" "*Have* the Bank of Ireland any deposits at the Cork branch? Do you know how *their* notes get into circulation? Do *they* pay any interest on *their* deposits? *They have* a great quantity of notes in circulation—*have they* not?"

4. When the word bank is connected with a past participle by means of the neuter verb *to be*, it usually belongs to the singular—as, "I am a director of the Bank of Scotland, which *is established* by Act of Parliament; *it does* not hold a charter from the Crown, but in common language *it is called* a chartered bank." "Suppose a bank *was enabled* to take 6 per cent. on a cash credit, instead of 4." "The Falkirk Union Banking Company *has been returned* to this house, as sequestrated in the month of October, 1816." "A new bank *was constituted* as a fund, upon which the sum of 2,564,000*l*. should be raised, and *it was called* the Land Bank, because established on land securities."

5. When the word bank is preceded by the indefinite article, *a, an*—by the demonstrative pronoun, *this, that*—or by the words *each, any, every, one*—it belongs to the singular; as, "Do you not think that *a* bank that *is* possessed of a capital of one million, may and will do more business than *a* bank that *is* only possessed of half a million?" "In a moment of pressure, an emergency like the present, *that* bank would get into great disrepute who called up any one of *its* cash credits." "What is the amount of the small note circulation in *that* bank, as connected with *its* whole circulation?" "*Each* bank *has* an interest to issue as much of the small note circulation as *it* can?—Certainly *it has*, provided the small notes can be kept out; but, as *every* bank *makes* an exchange at Glasgow twice every week, and the exchanges of *each*

bank come back upon *itself*, and the balance is paid by a draft on Edinburgh at sight," &c. "I believe almost *every* bank in Scotland *has* an agent in Glasgow." "Suppose *one* bank in Scotland made *its* notes payable in Scotland, at the place where the notes were issued." "Is there *any* bank in Cork now that *issues* notes?"

6. When the word bank is introduced in either the singular or the plural number, the same number should be preserved throughout the sentence. Hence, the following sentence of Smollett's is inaccurate: "By the same acts the bank *was* required to advance a sum not exceeding 2,500,000*l.* towards discharging the national debt, if wanted, on condition that *they* should have 5*l.* per cent. for as much as *they* might advance, redeemed by Parliament."

7. When the word bank is used in the singular number, it is considered as a substantive of the neuter gender, and hence is associated with the relative pronoun, *which;* but when used in the plural number, it implies the idea of persons, and has accordingly the personal relative, *who;* as, "The bank with *which* he kept his account *has* stopped payment;" or, "The bank with *whom* he kept his account *have* stopped payment." "The bank, *whose* interests are affected by the proposed measure, *have* petitioned against it." "The bank upon *whom* the cheque was drawn *have* refused to honour it." The following sentence is not in accordance with this rule: "In a moment of pressure, an emergency like the present, that bank would get into great disrepute *who* called up any of *its* cash credits."

I have not observed that any *English* writer, except Mr. M^{c}Culloch, considered a bank to be a lady; and this is only in the case of an Irish bank. Under the article "Banking," in his Commercial Dictionary, he says, "The Bank of Ireland draws on London, at twenty days' date.

She neither grants cash credits, nor allows any interest on deposits; *she* discounts at the rate of 5*l.* per cent." This mode of expression is, however, very common with American writers.*

II. Should we write *accepter* or *acceptor* of a bill of exchange? The name of the agent to any verb is usually formed, in our language, by the addition of *r* or *er* to the verb; as, *indorser, talker, walker, speaker.* What reason, then, can be assigned why, in the present case, we should depart from the analogy of the language? We do not say, the drawor, the holdor, the payor of a bill; why then should we say the acceptor? When we speak of the accepter of a bill, why should we not spell the word in the same way as when we speak of the accepter of a present, or of a fee? Yet all our English legal authors write, acceptor: "A person who accepts for honour, is only liable if the original drawee do not pay; and to charge such *acceptor,* there must be a presentment for payment to such original drawee."—*Bayley.* "A foreign bill is binding in this country on the *acceptor,* though he accepted by parol, or by writing unconnected with the instrument."—*Chitty.* "Where the *acceptor* of a forged bill pays it, and is guilty of any negligence, or want of due caution in making such payment, he cannot recover the money so paid, from the innocent party to whom he paid it."—*Roscoe.* Scotch authors, however, write *accepter.* "An English inland bill has generally three parties to it—the drawer, *accepter,* and payee; whereas, in Scotland, most of the inland bills have, at first, but two parties, the drawer and the *accepter;* and they are made payable to the drawer or his order."†

* It has now become more common with *English* writers, especially with reference to the Bank of England. 1849.

† See Glen on the Law of Bills of Exchange in Scotland.

III. Should we write *indorse* or *endorse?* Indorse is derived direct from the Latin, *in dorsum,* on the back. *Endorse* is derived from the Latin, through the French, *endosser.* In such cases, most writers adopt the Latin mode of spelling, in preference to the French, as *indorse, inquire, intire;* not *endorse, enquire, entire.* All legal authors write indorse. "A promise to *indorse,* though on sufficient consideration, cannot be treated as an actual *indorsement.*"—*Bayley.* "The liability of the *indorser* is discharged by want of notice, as in the case of the drawer."—*Roscoe.* "A person who draws or *indorses* a bill, or *indorses* a note for the accommodation of the acceptor or maker, or payee, or prior *indorsers,* has, on paying the instrument, a remedy over thereon against the acceptor or maker, or prior party."—*Chitty.* "A drawer or *indorser* cannot, in the character of *indorsee,* maintain an action against the accepter, where the indorsement is after the refusal of payment."—*Glen.*

IV. Should we say *indorsement* or *indorsation?* In England we always use the word indorsement. "No particular words are essential to an *indorsement;* the mere signature of the indorser is, in general, sufficient."—*Bayley.* "The *indorsement* may be upon the face, or at the back of the bill."—*Chitty.* "An attesting witness to an *indorsement* is necessary, when the bill is for a less sum than 5*l.*"—*Chitty.* In Scotland the term more generally used is indorsation. "If a bill or note be granted to a woman while single, and she afterwards marry, the right to transfer it by *indorsation* would vest in the husband." "After a bill has been paid no *indorsation* can take place, so as to affect the accepter, or any of the parties who would otherwise be discharged."—*Glen.* The word indorsement is also used in Scotland, though more rarely. Both words appear to have precisely the same meaning.

"An *indorsation* is made, either by the indorser's writing, and subscribing an order to pay the contents of the bill to some particular person mentioned by name, which is styled a *full indorsement*, or by merely signing his name on the bill, and delivering it to the indorsee, or person to whom it is indorsed, which is termed *a blank indorsation*."—*Glen*. "A fictitious *indorsement* to a bill is forgery; such *indorsation* is clearly giving it a false credit."—*Glen*.

V. Should we say the *presentment* or the *presentation* of a bill of exchange? All writers agree in using presentment. "If upon the *presentment* of the bill for acceptance to the drawee, he refuse or neglect to accept it, the drawer is immediately responsible to the holder, although the bill has not become due according to its tenor."—*Chitty*. "If the bill be payable after sight, and the drawee detain it some days without declaring his intention to accept, and afterwards incline to do so, the acceptance must be from the date of the first *presentment*."—*Glen*. "*Presentment* for payment must be made by the holder of the bill, or by an agent competent to give a legal receipt for the money."—*Glen*. "Upon a *presentment* for acceptance, the bill should be left with the drawee twenty-four hours, unless in the interim he either accept, or declare a resolution not to accept. But a bill or note must not be left (unless it be paid) on a *presentment* for payment; if it be, the *presentment* is not considered as made, until the money is called for."—*Bayley*.

VI. Should we write *draught* or *draft?* This word is derived from the verb *to draw*, and probably was originally written and pronounced *drawght*. But custom, which is the law of language, has changed both the pronunciation and the spelling to *draft*. In the former editions of this work, I mentioned that Mr. Justice Bayley had always spelled this word *draught;* but in a recent edition of his

work, since published, I find that *draught* has been changed to *draft*.

VII. Should we write *check* or *cheque?* This word is derived from the French, *echecs, chess.* The chequers placed at the doors of public-houses, are intended to represent chess-boards, and originally denoted that the game of chess was played in those houses. Similar tables were employed in reckoning money, and hence came the expression—to check an account; and the Government Office, where the public accounts were kept, was called the Exchequer. It probably obtained this name from the French *echiquier,* a chess-board, though Blackstone states that this court was called the exchequer, from the chequered cloth which covered the table. Of the two forms of writing this word, *check* and *cheque,* the latter seems preferable, as it is free from ambiguity, and is analogous to EX-CHEQUER, the public treasury. It is also used by the Bank of England, "CHEQUE-OFFICE." In *Bayley* both forms are employed. "A *cheque* upon a banker was lost, and paid to a stranger the day before *it bore date:* the banker was obliged to repay the money to the loser." "By the usage of trade, a banker in London will not render himself responsible by retaining a *check* drawn on him, provided he return it at any time before five o'clock on the evening of the day in which it was drawn."

SECTION IV.

THE GENERAL ADMINISTRATION OF A BANK.

To be a good banker requires some intellectual and some moral qualifications. A banker need not be a man of talent, but he should be a man of wisdom. Talent, in the sense in which the word is ordinarily used, implies a strong development of some one faculty of the mind. Wisdom implies the due proportion of all the faculties. A banker need not be a poet or a philosopher—a man of science or of literature—an orator or a statesman. He need not possess any one remarkable quality by which he is distinguished from the rest of mankind. He will possibly be a better banker without any of these distinctions. It is only necessary that he should possess a large portion of that practical quality which is called common sense. Banking talent (using the word *talent* here in the sense of adaptation of character to any particular pursuit) consists more in the union of a number of qualities, not in themselves individually of a striking character, but rare only in their combination in the same person. It is a mistake to suppose that banking is such a routine employment that it requires neither knowledge nor skill. The number of banks that have failed within the last fifty years are sufficient to show that to be a good banker

requires qualities as rare and as important as those which are necessary to attain eminence in any other pursuit. The dealer in money exercises intellectual faculties of a high order, and of great value to the community. His profession has a powerful bearing on the practical happiness of mankind.

"The philosophy which affects to teach us a contempt of money, does not run very deep; for, indeed, it ought to be still more clear to the philosopher than it is to the ordinary man, that there are few things in the world of greater importance. And so manifold are the bearings of money upon the lives and characters of mankind, that an insight which should search out the life of a man in his pecuniary relations, would penetrate into almost every cranny of his nature. He who knows, like St. Paul, both how to spare and how to abound, has a great knowledge: for if we take account of all the virtues with which money is mixed up—honesty, justice, generosity, charity, frugality, forethought, self-sacrifice, —and of their correlative vices—it is a knowledge which goes near to cover the length and breadth of humanity: and a right measure and manner in getting, saving, spending, giving, taking, lending, borrowing, and bequeathing, would almost argue a perfect man."*

But though wisdom—or, in other words, a high degree of common sense—does not imply the possession of any remarkable talent, (the undue development of any one faculty,) it always implies the absence of any remarkable defect. One great defect in a banker is a want of decision. A banker ought to know how to balance the evidence on each side of a question, and to arrive speedily at a just conclusion.

"Indecisiveness will be, *ceteris paribus*, most pernicious in affairs which require secrecy. 1st, Because the greatest aid to secrecy is celerity. 2nd, Because the undecided man, seeking after various counsel, necessarily multiplies confidences. The pretext for indecisiveness is commonly mature deliberation; but in reality, indecisive men occupy themselves less in deliberation than others; for to him who fears to decide, deliberation (which has a foretaste of that fear) soon becomes intolerably irksome, and the mind escapes from the anxiety of it into alien themes. Or, if that seems too open a dereliction of its task, it gives

* Taylor's Notes on Life.

itself to inventing reasons of postponement. And the man who has confirmed habits of indecisiveness, will come in time to look upon postponement as the first object in all cases, and wherever it seems to be practicable, will bend all his faculties to accomplish it."*

Another defect is a want of firmness. A banker having after a mature consideration, made up his mind, should be capable of a strict adherence to his previous determination: he should know when to say, *No*; and having once said No, he should adhere to it.

Another defect is a hasty or impetuous temper.

"He that answereth a matter before he heareth it, it is folly and shame unto him." "He that is slow to wrath is of great understanding, but he that is hasty of spirit exalteth folly." "A wise man will hear, and will increase learning; and a man of understanding shall attain unto wise counsels."†

Another defect is that of being swayed by any personal or constitutional prepossession. Almost every man—not excepting even the banker—has a sin by which he is most easily beset; a constitutional defect, against which it is necessary he should be upon his guard.

It is a great advantage to a banker, and indeed to every one else, to know himself. He should know wherein he excels, and wherein he is deficient. He ought to know whether he is disposed from his temperament to be excessively cautious, or excessively liberal—whether his manners are courteous or abrupt—whether he is apt to view matters on their gloomy or on their bright side—whether social intercourse renders him more or less fit for his official engagements—whether the presents and civilities he receives from his customers do, or do not, affect his transactions with them in matters of business. When he has made a loss, he should examine whether the loss was occasioned by the ordinary operation of events, or pro-

* Taylor's Statesman.—I would advise all bankers, and all other persons at the head of large establishments, to read this little work.

† Proverbs of Solomon.

duced by any little weaknesses of his own character. He should record all those instances in which he has shown a want of firmness, of discretion, of discrimination, or of perseverance; and should guard in future against the exhibition of any similar defect:

"Man, know thyself; all wisdom centres there."

But while a banker should make himself acquainted with his own defects, he ought not to let his customers become acquainted with them. All wise men know their own defects; none but fools publish them. Crafty men, who often have occasion to borrow money, are quick in perceiving the weaknesses of their banker. And if they find that by coaxing, or flattering, or gossiping, or bribing, or threatening, they can influence his conduct, he will always be at their mercy. On this account it is, perhaps, advisable that a banker should not have too much social intercourse with those of his customers who have occasion to ask him for any large amount of accommodation.

Wisdom implies prudence and discretion, and these should regulate the whole conduct of a banker, not merely when engaged in banking transactions, but at all other times. We may apply to a banker the language we have elsewhere applied to a merchant:

"The amusements of a merchant should correspond with his character. He should never engage in those recreations which partake of the nature of gambling, and but seldom in those of a frivolous description. A judge is not always on the bench, a clergyman is not always in the pulpit, nor is a merchant always on 'change; but each is expected at all times to abstain from any amusements which are not consistent with his professional character. The credit of a merchant depends not merely on his wealth, but also upon the opinion generally entertained of his personal qualities; and he should cultivate a reputation for prudence and propriety of conduct, as part of his stock in trade."*

* Lectures on the History and Principles of Ancient Commerce, by J. W. Gilbart.

A banker should have a talent for selecting suitable instruments. He ought not only to know himself, he ought also to have a capacity for knowing others. He should know how to choose proper clerks for the discharge of the duties of the office. He should know also what parties to employ to procure him confidential information as to the character and circumstances of commercial houses, or of individuals. He should know how to choose his partners or coadjutors; and should endeavour to select those who possess qualifications in which he is himself deficient. In all cases when he has any object to effect, he should know how to make use of other men. We may here, as in some other cases, apply to a banker the observations Mr. Taylor applies to a statesman:

"The most important qualification of one who is high in the service of the State, is his fitness for acting through others, since the operations vicariously effected ought, if he knows how to make use of his power, to predominate greatly over the importance which can attach to any man's direct and individual activity. The discovery and use of instruments implies indeed activity, as well as judgment; because it implies that judgment which only activity in affairs can give. But it is a snare into which active statesmen are apt to fall, to lose, in the importance which they attach to the immediate and direct effects of their activity, the sense of that much greater importance which they might impart to it if they applied themselves to make their powers operate through the most effective and the widest instrumentality. The vanity of a statesman is more flattered in the contemplation of what he does than of what he causes to be done; although any man whose civil station is high, ought to know that his causative *might* be beyond all calculation wider than his active sphere, and more important."*

A neglect of this rule has occurred in the history of some joint-stock banks, where the manager has impaired his own health, and damaged his bank, by taking upon himself a vast variety of duties which should have been assigned to others; forgetful that in large establish-

* Taylor's Statesman.

ments the chief officer should confine his personal attention to those duties which are intellectual, or which are of the chief importance; while the duties which are of a mere manual, or less important character, should be performed through the instrumentality of assistants. We shall illustrate the principle of working through others by a scriptural example:

"And it came to pass that Moses sat to judge the people: and the people stood by Moses from the morning unto the evening. And Moses' father-in-law said unto him, The thing that thou doest is not good. Thou wilt surely wear away, both thou, and this people that is with thee: for this thing is too heavy for thee; thou art not able to perform it thyself alone. Hearken now unto my voice, and I will give thee counsel. Thou shalt provide out of all the people able men; and place such over them, to be rulers of thousands, and rulers of hundreds, rulers of fifties, and rulers of tens. And let them judge the people at all seasons: and it shall be that every great matter they shall bring unto thee, but every small matter they shall judge: so shall it be easier for thyself, and they shall bear the burden with thee. So Moses hearkened to the voice of his father-in-law, and did all that he had said."*

"And Moses said, I am not eloquent, but I am slow of speech, and of a slow tongue."—"Is not Aaron the Levite thy brother? I know that he can speak well. Thou shalt speak unto him, and put words into his mouth: and he shall be thy spokesman unto the people."†

A banker should know how to economize his own time. One mode of doing this will be, as we have intimated, to assign inferior duties to others. His accountant should keep his books, and make his calculations. His secretary should write his letters (except those of a private or confidential nature), and he should only sign them. His chief clerk should attend to the discipline of the office. A banker at the head of a large establishment should not only be acquainted with the art of banking—he ought also to be acquainted with the art of government. He ought to put a clever man at the head of each department, and reserve to himself only the duty of general

* Exodus xviii. 13—22. † Exodus iv. 10—16.

superintendence. He should give these parties a pretty wide discretion, and not encourage them to ask his instructions about matters of comparatively trifling importance. If he does this, they will never learn to think for themselves,—never feel that wholesome anxiety which results from a sense of responsibility,—and never acquire that decision of mind which arises from the necessity of forming an independent judgment. Consequently, they will be less useful to him in their present position, and never become qualified for higher offices.

Another mode of economizing time is to observe a principle of order. A banker should come to the bank every day at the same hour; attend to his affairs, one by one, in the same order, and leave the bank at his usual time. By observing this routine, he will not only save much time, but he will avoid tumultuous feelings, and maintain a calmness of mind and of manner, that will be useful in all his affairs. He will also acquire from habit a coolness of investigation, and a promptness of decision; and he will get through a great deal of work without ever appearing to be in a hurry.

Another mode of economizing time is, to make his interviews with his customers, or with other parties, as short as he can. He should not encourage conversation upon any other topic than that which is the occasion of the interview. He had better receive his customers standing; as in that case they will stand too, and are not likely to remain so long as if they were to sit down. And the furniture of the room should be so arranged that the customer, if he sit down, should sit near the door, so that he may depart whenever disposed. He is not likely to remain so long as if seated comfortably by the fire-side. It is also desirable that his room should be so placed, with reference to the other parts of the building, that while it

has one door open to the public, it should have another door opening into the office; so that he may easily pass into the office, to ascertain the state of a customer's account, or to consult with himself or another person, in doubtful cases, as to the course to be adopted. It is not advisable that the customer who applies, for instance, to have a heavy bill discounted, should witness the hesitation or the deliberation of the banker. Hence it is better, when it can be done, to establish the practice of the customer giving the bills to a clerk, who shall bring them into the banker's room, and take back his reply.

A banker will take means for obtaining and recording information. He should not, as we have said, keep any books himself. But he ought always to have in his room, ready for immediate reference, if necessary, "the General Balance Book," containing the weekly balances of the general ledger, which will show the weekly progress of his business for several years past,—"the Daily Balance Book," showing the daily balance to the credit of each of his customers in the current-account ledger,—"the Weekly Discount Balance Book," showing the amount of discounts, loans, or other advances which each customer has every Saturday night,—"the Inspection Book," showing the amount of bills bearing the names of houses who do not keep an account with him,—"the Information Book," containing the character of all the houses about whom he has had occasion to make inquiries,—and, finally, "a Private Memorandum Book," in which is entered any special agreements that he has made with his customers. It is also useful to a banker to have a list of his customers, classified according to their trades or professions—such as corn merchants, leather factors, grocers, solicitors, &c. &c. The banker would thus see at a glance among what classes of society his connexions lay. When any public event

was likely to affect any class—such, for instance, as the corn merchants—he would see how many of his customers are likely to be affected. By thus, too, bearing in mind the trade or profession of his customers, he would be able to judge more readily whether the bills they brought him for discount had arisen out of their business transactions.

Of these books, one of the most important is the "Information Book." There is no doubt that a banker of great experience, and of a strong memory, may always bear in his mind a very correct estimate of the standing and character of all the houses that usually come under his notice. But this does not supersede the necessity for recording his information in a book. His memory may fail, and that too on important occasions; and certainly if he leave the bank for a short time, as he must sometimes have occasion to do, he will carry his memory with him. But if the Information Book be closely kept up, he will record his knowledge for the use of those who will have to take his place. It is no valid objection to the keeping of such a book, to say that the position of houses is perpetually changing. Those changes should be recorded, so that their actual standing should always be readily referred to. If a banker is requested by a customer to make inquiry about a house, he should record the information he gets for his own guidance, in case any bills on that house should afterwards be offered him for discount.

A banker will get information about parties from inquiry at their banker's, as we have mentioned at page 11. This information may be defective in two ways. In the first place, their banker may judge of them from the account they keep—that is, from the balance to their credit—and thus he may give too good an account of them. Or, secondly, their banker may have an interest

in keeping up their credit, and under this bias he may not give them so bad a character as they actually deserve. Another source of information is from parties in the same trade. Houses in the same trade know pretty well the standing of one another. Wholesale houses are well acquainted with the retail shopkeepers who buy of them. Most bankers have among their own customers some houses in almost every trade, who can give them any information respecting other houses which they may require. The bills that pass through his hands will also often give him some useful hints respecting the parties whose names are upon them.

It is of great importance to a banker to have an ample knowledge of the means and transactions of his customers. The customer, when he opens his account, will give him some information on this subject. The banker will afterwards get information from his own books. The amount of transactions that his customer passes through his current account, will show the extent of his business. The amount of his daily balance will show if he has much ready cash. The extent and character of the bills he offers for discount, will show if he trust large amounts to individual houses, and if these are respectable. On the other hand, the bills his customer may accept to other parties, and his payments, will show the class of people with whom he deals, or who are in the habit of giving him credit. But one main source of information is to see the man. This, like other means of information, will sometimes fail; but, generally speaking, the appearance and manners of a man will show his character. Some people always send their clerk to the banker with bills for discount, &c. This is all very well if they want no extraordinary accommodation; but if they ask for anything out of the usual way, the banker had better say that he wishes to see the

principal. And if he had a doubt whether his customer was tricky or honest—speculative or prudent—let him be guided by his first impression—we mean the impression produced by the first interview. In nine cases out of ten, the first impression will be found to be correct. It is not necessary to study physiognomy or phrenology to be able to judge of the character of men with whom we converse upon matters of business.

A country banker has greater facilities than a London banker of ascertaining the character and circumstances of other parties. In a country town every thing is known about everybody.—A man's parentage and connexions—his family and associates—the property he has already received, and what he may expect to receive from his relations—and, above all, his personal habits and disposition. Upon the last point, we will make a short extract from an excellent series of "Letters to a Branch Manager," now in course of publication in the "Banker's Magazine," under the signature of "Thomas Bullion."

"Next in importance to a study of his accounts, the habits and character of a client are deserving of your attentive consideration. If a man's style of living, for example, becomes extravagant, and he gives himself over to excess, you cannot too promptly apply the curb, however regular the transactions upon his account may seem; because years may elapse before mere irregularity of living will make any impression on his banking account; whereas irregularity in business will exhibit itself immediately, and for this reason,—that whereas improvident habits of living involve a continuous waste in small sums, spreading over tolerably long periods, improvidence in business may involve in one fell swoop the loss, perhaps, of thousands. I hold, then, that you are not warranted in all cases in feeling satisfied of a man's perfect responsibility *until* his banking account exhibits indubitable evidence to the contrary."*

A banker should always have general principles; that is, he should have fixed rules for the government of his bank. He should know beforehand whether he will or

* Banker's Magazine, December 1848.

will not advance money on mortgage, or upon deeds, or upon bills of lading, or warrants; or whether he will discount bills based upon uncommercial transactions, or having more than three months to run. These are only a few of the cases in which a banker will find it useful to store his mind with general principles.

One advantage of this adoption of general principles is, that it saves time. If a banker can say, in reply to a customer, "It is contrary to the rules of our bank to advance money upon bills of lading," the reply is conclusive. But if he had not previously adopted any rule upon the subject, the reply would have taken up much more time. Another advantage is, that it gives decision of mind, and saves the banker from being "talked over" by any of his customers who may possess fluency of speech, or dexterity in debate. In this case, the banker whose mind is stored with general principles, though he may listen patiently to all his customer shall advance, will give the same reply which he would have given had the application been made in fewer words.

But although a banker ought to have a large stock of general principles—and this stock will increase as his experience increases—yet it may not be always wise to explain these principles to his customer. It is generally best, when a banker gives a refusal, to give no reasons for that refusal. Banking science is so little understood that the public generally are unable to appreciate its principles. Besides, a man who wants to borrow money can never be convinced by reasoning that his banker is right in refusing to lend it to him; nor, in fact, did the banker himself acquire his knowledge of banking by reasoning. He acquired it not by reasoning, but by experience; and he must not expect that his customers, who have had no experience, will, by reasoning alone, readily

acquiesce in the banking principles he may propound to them. In most cases, therefore, he had better keep his reasons to himself.

But while we contend that every banker should have general principles, we do not say that in no possible case should he depart from them. But he should not look for such cases; they are rare, and when they do occur they will force themselves upon his attention. If under shelter of the truism, "All rules have their exceptions," he departs from his general principles whenever he finds it convenient or profitable to do so, he may as well have no general principles at all.

It seems desirable that a banker in a large city should mark out for himself one or two main branches of business, rather than attempt to carry on banking in all its branches. We see this line of conduct adopted by some of the most eminent London bankers. A west-end banker will not discount a bill: a city banker will not lend money on mortgage. Different kinds of banking exist in different parts of the country, according to the character and circumstances of the district. And in London there are numerous classes of people, and it may be both proper and advantageous for a banker to adapt his mode of business chiefly to the requirements of some one particular class. Different banks may thus pursue different courses, and all be equally successful.

A banker will exercise due caution in taking new accounts. He will expect the new customer to be introduced by some person to whom he is personally known. The more respectable the introducer, the higher opinion will the banker entertain of the party introduced. If a party apply to open an account without such an introduction, he is asked to give references to some well-known houses. He is expected to state to the banker the

kind of business in which he is engaged, and the extent of accommodation, if any, that he is likely to require. He will state the kind and character of the bills he will have to offer to discount, and mention any peculiarity in his business or circumstances that may occasionally require especial consideration. It is a great folly in a party opening an account to make any representation that will not afterwards turn out to be correct. Every banker is anxious to avoid taking shabby accounts; and especially such as are opened for the purposes of fraud, or to obtain a fictitious credit, or to get undue accommodation. It is considered to be not advisable to take the account of a party who has another banker, especially if he opens the account for the purpose of getting additional discount. The object of a party keeping two bankers is usually to get as much accommodation as he can from each. If an account is brought from another bank, the reason of the removal should be distinctly stated, and the banker will accept or reject it, according to circumstances. It is bad policy in a banker to attempt to draw away the connexions of another bank, by offering them greater accommodation. It is also usually bad policy to take the accounts of parties residing at a distance, as their transactions do not come under the notice of the banker; and the fact of their passing by the banks in their neighbourhood to go elsewhere, is one that should excite suspicion. It is not advisable for London bankers to take the accounts of private individuals who reside in the country. They should be referred to the bankers in their own districts.

A small banker should not attempt to take large accounts. Banks, otherwise well administered, have been ruined by one large account. If this account requires accommodation, it will absorb the banker's funds, so that

he will be compelled to stint his other customers, or to have recourse to re-discount, or other modes of raising money. Even if it be only a deposit account, it may produce inconveniences. A small banker cannot so readily employ this large deposit profitably, and yet have it at command whenever required; and the additional amount he must keep in his till will be proportionably greater than would be kept by a large banker. Thus, if 100,000*l.* be placed in a bank that has already 2,000,000*l.* of deposits, the additional sum kept in the till to meet daily demands may not be much increased; but should it be lodged with a banker whose deposits are only 300,000*l.* the increase of notes to be kept in his till will be very considerable. This shows that large deposits are not so profitable to small banks as to large ones. There is also a danger that a small banker will employ his large deposits in such a way as shall render him less ready to repay them punctually. Instances have occurred of small banks being greatly inconvenienced by the repayment of large deposits, which had been placed in their hands by railway companies. It is prudent, therefore, in a banker to apportion the amount of his transactions to the extent of his business.

A very important part of the business of a banker consists in the discounting of bills. The bills presented to a bank for discount, may generally be divided into the following classes:—

* "1st. Bills drawn by producers or manufacturers upon wholesale dealers.

"2dly. Bills drawn by wholesale dealers upon retail dealers.

"3dly. Bills drawn by retail dealers upon consumers.

* These observations are taken from my History and Principles of Banking, page 167.

"4thly. Bills not arising out of trade, but yet drawn against value, as rent, &c.

"5thly. Kites, or accommodation bills.

"The first two classes of bills are the best, and are fair legitimate bills for bankers to discount.

"The third class ought not to be too much encouraged; they are for comparatively small amounts, and are drawn by shopkeepers and tradesmen upon their customers. To discount these bills freely would encourage extravagance in the accepters, and ultimately prove injurious to the drawers. When a man accepts bills to his butcher, baker, tailor, upholsterer, &c. he may fairly be suspected of living beyond his income. Solvent and regular people pay their tradesmen's accounts with ready money.

"The fourth class of bills, though sometimes proper, ought not to be too much encouraged. Persons out of trade have no business with bills.

"The last class of bills should always be rejected. To an experienced banker, who knows the parties, the discovery of accommodation bills is by no means difficult. They are usually drawn for even amounts, for the largest sum that the stamp will bear, and for the longest term that the bank will discount, and are presented for discount soon after they are drawn. The parties are often relations, friends, or parties who, from their avocations, can have no dealings with each other.

"Not only the parties and the amounts of bills are matters of consideration to a banker, but also the time they have to run before they fall due. A bill drawn for a long term after date, is usually styled, not perhaps very properly, 'a long dated bill.' A bill drawn at a short term, is styled, 'a short dated bill.'"

In doubtful cases, the banker, before discounting a bill,

will probably look through his books, and satisfy himself with regard to the following inquiries :—

What is the character of the customer? This inquiry will be answered from the Information Book. What is the usual balance of his cash accounts? This will be answered by the Daily Balance Book. What amount has he now under discount? This will be answered from the Discount Ledger, and will suggest other inquiries. Is that amount greater or less than usual? What proportion does that amount bear to the average amount of his cash balance? Is the amount chiefly upon few parties, or is it divided among a number? Have their bills been discounted chiefly upon the strength of the customer, or upon the strength of other parties? Are his bills generally paid? He will then proceed to inquire about the other parties to the bill. What is the character of the accepter in the Information Book? What is the nature of the transactions between the customer and the accepter, as far as can be ascertained? Has he had any bills upon him before, and have they been punctually paid? Are there any bills upon him now running, and how soon will they become due?

In the discount of bills it is necessary to guard against forgeries. It has happened that parties carrying on a great business in London, have presented to their banker, for discount, bills drawn upon all parts of the country; which bills, upon inquiry, have turned out to be purely fictitious. This is an additional reason for bankers making inquiry about the accepters of the bills they discount, even when they think they have reason to be satisfied with the drawers. Even this is no protection against forgery. Sometimes the name of a most respectable house in a provincial town has been forged. Where the amount is large, therefore, it seems advisable to send

the bill down to some banker in the town, and ask his opinion as to the genuineness of the signature. Of course in these, and many other cases in which a banker is liable to be cheated, much must depend upon personal discretion; no rules can be given for all cases.

To facilitate the detection of forged CHEQUES, it is advisable that the banker should have a printed number placed on every cheque, in every cheque book, and keep a record of the name of the customer to whom each book is given. When a cheque with a forged signature appears, the banker can then turn to this registry, and see to which of his customers he had given out this cheque. This plan has been found useful in tracing forgeries that have been perpetrated by the clerks or servants of the party keeping the account. Some bankers, moreover, place on their cheque books a printed label, requesting the customer will at all times keep the book under his own lock and key.

To guard against forgery in the case of DEEDS or BONDS, all these documents should be witnessed by an officer of the bank. And when a letter of guarantee is given by a third party, it should not be taken by the banker from the party in whose favour it is given, but the letter should be signed at the bank, and the signature witnessed by one of the clerks.

A banker is also liable to loss from the alteration of cheques. The words six, seven, eight, and nine, can easily be changed by the addition of y, or ty, into sixty, seventy, eighty, or ninety. Sometimes, too, when cheques are drawn for less than 10*l.*, if a space be left open before the word, another word may be introduced. Thus, a short time ago a cheque was drawn on a banker for 3*l.*, and the party who obtained it wrote the word sixty before the word three, and thus cheated the banker

out of 60*l*. Letters of credit, as well as cheques, have heretofore been altered, by the original sum being taken out, and a larger sum being substituted. This is now prevented by staining the paper with a chemical preparation. Country banks also stamp upon their drafts the words "under ten pounds," "under twenty pounds," and so on, to prevent an alteration to any sum beyond those amounts.

The re-discounting of bills of exchange is an operation of much importance, and has a great influence on the monetary operations of the country. We quote from a former work of our own* upon this subject:—

"Banks situated in agricultural districts have usually more money than they can employ. Independently of the paid-up capital of the bank, the sums raised by circulation and deposits are usually more than the amount of their loans and discounts. Banks, on the other hand, that are situated in manufacturing districts, can usually employ more money than they can raise. Hence, the bank that has a superabundance of money, sends it to London, to be employed by the bill-brokers, usually receiving, in return, bills of exchange. The bank that wants money sends its bills of exchange to London, to be re-discounted. These banks thus supply each other's wants, through the medium of the London bill-brokers."

But this principle of the re-discount of bills has been, in some cases, grossly abused, by being employed to give a sort of vitality to dead loans. A country banker lends upon mills and manufactories a larger amount of money than he can conveniently spare; then he asks the manufacturer to accept a bill for the amount, which the banker gets discounted in London or elsewhere. This bill, when due, is renewed, and the renewal is again replaced by another, and so the game goes on. As long as money is abundant all parties are pleased; the manufacturer gets his advance, the banker gets his commission, and the

* The History of Banking in America, by J. W. Gilbart.

London bill broker gets employment for his funds. But a pressure comes. The London bill-broker can discount no more, because the funds placed in his hands by his depositors have been withdrawn. The banker cannot get the new bills discounted elsewhere, and is unable to take up the old bills that are returned to him with his endorsement. The manufacturer, of course, cannot pay the money; the banker stops payment, and the manufacturer is ruined. The places at which this system has been chiefly carried on, are Manchester and Newcastle-upon-Tyne; and it is in these places that the greatest failures have taken place among the joint-stock banks. In fact, I believe it must be confessed, that the joint-stock banks have carried on this practice to a much greater extent than it was ever carried on by the private bankers. This has arisen from the greater credit which they possessed: it is one of the forms of the abuse of credit.

A London banker is always anxious to avoid dead loans. Loans are usually specific advances for specified times, either with or without security. In London, advances are generally made by loans; in the country, by overdrafts. The difference arises from the different modes of conducting an account. In London, the banker is paid by the balance standing to the credit of the account. A customer who wants an advance, takes a loan of such an amount as shall not require him to keep less than his usual balance. The loan is placed to the credit of his current account, until the time arrives for its repayment, and then he is debited for the principal and the interest. The country banker is paid by a commission, and hence the advance to a customer is made by his overdrawing the account, and he is charged interest only on the amount overdrawn.

Loans are divided into short loans and dead loans.

Short loans are usually the practice of the London bankers: a time is fixed for their repayment. Dead loans are those for the payment of which there is no specified time; or where the party has failed to make the repayment at the time agreed upon. In this case, too, the loan has usually been made upon *dead*—that is, upon inconvertible security. Without great caution on the part of the banker, *short* loans are very apt to become *dead* loans. A loan is first made for two or three months; the time arrives, and the customer cannot pay; then the loan is renewed, and renewed, and renewed, and ultimately the customer fails, and the banker has to fall back upon his securities. The difference between *short* loans and *dead* loans may be illustrated by a reference to Liverpool and Manchester. The Liverpool bankers make large advances by way of loan, but usually on the security of cotton. The cotton is sold in a few months, and the banker is paid. At Manchester, the banker advances his loans on the security of mills and manufactories; he cannot get repaid; and after awhile the customer fails, and the mill or manufactory, when sold, may not produce half the amount of the loan.

Dead loans are sometimes produced by lending money to rich men. A man of moderate means will be anxious not to borrow of his banker a loan which he will not be able punctually to repay, as the good opinion of his banker is necessary to his credit. But a man of property has no scruples of the kind: he has to build a house, to improve his estate, or to extend his manufactory; and he is unreasonable enough to expect that his banker will supply him with the necessary funds. He believes it will be only a temporary advance, as he will shortly be in possession of ample means. The banker lends the sum at first desired; more money is wanted; the expected supplies do not

arrive; and the advance becomes a dead lock-up of capital. The loan may be very safe, and yield a good rate of interest, but the banker would rather have the money under his own control.

Dead loans are sometimes produced by lending money to parties to buy shares in public companies. There was too much business of this kind transacted by some bankers a few years ago. The party did not at first, perchance, apply to his banker to enable him to purchase the shares; but the calls were heavy, and his ready money was gone; he felt assured, however, that in a short time he should be able to sell his shares at a high profit; he persuaded his banker to pay the calls, taking the shares as security. Other calls were made, which the banker had to pay. The market fell; and the shares, if sold, would not pay the banker's advances. The sale, too, would have caused an enormous loss to the customer. The advances become a dead loan, and the banker had to wait till a favourable opportunity occurred for realizing his security.

In this, and in other ways, a banker has often much difficulty with customers of a speculative character. If he refuses what they ask, they remove their account, and give him a bad name; if he grants them their desires, they engage in speculations by which they are ruined, and probably the banker sustains loss. The point for the banker to decide is, whether he will lose them or ruin them. It is best, in this case, for the banker to fix upon what advance he should make them, supposing they conduct their affairs prudently; and if they are dissatisfied with this, he had better let them go; after they have become bankrupts he will get credit for his sagacity.

The discounting of bills is an ordinary matter of business, and the banker has only to see that he has good

names to his bill; but in regard to loans, a banker would do well to follow the advice which Mr. Taylor gives to individuals, and not make a loan, unless he knows the purpose for which it is borrowed, and to form his own judgment as to the wisdom of the party who borrows, and as to the probability of his having the means of repayment at the time agreed upon.

"Never lend money to a friend, unless you are satisfied that he does wisely and well in borrowing it. Borrowing is one of the most ordinary ways in which weak men sacrifice the future to the present; and thence it is that the gratitude for a loan is so proverbially evanescent: for the future, becoming present in its turn, will not be well pleased with those who have assisted in doing it an injury. By conspiring with your friend to defraud his future self, you naturally incur his future displeasure. To withstand solicitations for loans is often a great trial of firmness; the more especially as the pleas and pretexts alleged are generally made plausible at the expense of truth; for nothing breaks down a man's truthfulness more surely than pecuniary embarrassment—

'An unthrift was a liar from all time;
Never was debtor that was not deceiver.'

The refusal which is at once the most safe from vacillation, and perhaps as little apt to give offence as any, is the point blank refusal, without reasons assigned. Acquiescence is more easily given in the decisions of a strong will, than in reasons, which weak men, under the bias of self-love, will always imagine themselves competent to controvert."*

Sometimes, when an advance of money is wanted for two or three months, the party gives a note of hand. This is better than a mere loan, as it fixes the time of payment, and keeps the transaction fresh in the recollection of the borrower. But care must be taken that the note, by repeated renewals, does not in fact become a dead loan. Hence, when a renewal cannot be avoided, attempts should be made to reduce the amount. When public companies, of only a short standing, and not fully constituted, wish to borrow money of their banker, it is sometimes expedient to take the joint and several promis-

* Notes on Life, by John Taylor.

sory note of the directors. By this means the banker avoids all knotty questions connected with the law of partnership; and the directors will, for their own sakes, see that the funds of the company shall, in due time, be rendered available for the repayment of the loan.

We have said that dead loans are usually advanced upon inconvertible security. Sometimes that security consists of a deposit of deeds relating to leasehold or freehold property. In London, however, this kind of security is not considered desirable, and the following rules are usually observed:—

No advances are made upon the security of deeds alone; they are taken only as collateral security; and then only to cover business transactions, and in cases where the parties are supposed to be safe independently of deeds.

The value of the property should be much higher than the sum it is intended to guarantee. When this is the case, and the parties fail, their creditors may take the deeds, and pay the debt due to the bank. The main use of taking deeds is to have something to fall back upon in this way. A customer should never receive more accommodation from having deposited his deeds than that to which he is legitimately entitled. No banker takes deeds if there is the slightest probability of his being compelled to realize the property, as the legal difficulties are very great.

In all cases in which deeds are taken, they are submitted to the inspection of the banker's solicitor, who makes a written report upon the value of the property, as far as it can be discovered by the deeds, and upon its legal validity as a security to the bank.

The rule of a banker is, never to make any advances, directly or indirectly, upon deeds, or any other *dead*

security. But this rule, like all other general rules, must have exceptions, and when it is proper to make an exception is a matter that must be left to the discretion of the banker. He should, however, exercise this discretion with caution and prudence, and not deviate from the rule without a special reason to justify such deviation.

Among country bankers, in agricultural districts, advances upon deeds are not considered so objectionable as in London. A landed proprietor, who wants a temporary advance, places his deeds in the hands of his banker, and takes what he requires. The banker thinks he can have no better security; but the loan is usually for only a moderate amount, and is paid off within a reasonable time. In the country the character and circumstances of every man is known. A landlord who wants an advance to meet immediate demands, until his rents come in, seems fairly entitled to assistance from his banker. But should a landlord who is living beyond his income, ask for an advance almost equal to the value of his deeds, he would not be likely to obtain it. Every banker is aware, that when deeds are lodged as security for loans, or discounts of any kind, interest upon the advance cannot be charged at a higher rate than five per cent.

Another kind of security is bills of lading, and dock warrants. Advances upon securities such as these must be considered as beyond the rules which prudent bankers lay down for their own government; they can only be justified by the special circumstances of each case. In advancing upon bills of lading, the banker must see that he has *all the bills of the set*; for if he has not *all*, the holder of the absent bill may get possession of the property. It is also necessary that he have the policy of assurance, that, in case the ship be lost, he may claim the value from the

insurers. In advances upon dock warrants, the banker should know that the value of the goods is equal to his advances, and will also give him a margin, as a security against any fall in the market price. But, in truth, no banker should readily make advances upon such securities. Now and then he may take them as collateral security, for an advance to a customer who is otherwise respectable; but if a customer requires such advances frequently, not to say constantly, it shows that he is conducting his business in a way that will not ultimately be either for his own advantage, or that of his banker.

A banker should never make any advances upon life policies. They may become void, should the party commit suicide, or die by the hand of justice, or in a duel; or if he go without permission to certain foreign countries. The payment may be disputed, upon the ground that some deception or concealment was practised, when the policy was obtained. And, in all cases, they are dependant upon the continued payment of the premiums. The value of a policy, too, is also often overrated. The insured fancies that his policy increases in value in exact proportion to the number of premiums he has paid; but if he offers it to the company, he will find that he gets much less than he expected. The policy is valued in a way that remunerates the office for the risk they have run during the years that are past; and the valuation has a reference only to the future. Thus, if a man, at 20 years of age, insures his life, the expectation, or probability of life, as it is called, that is, the number of years he is likely to live upon the general average, is, according to the Northampton tables, 33. If he wishes his representatives to receive 1000*l.* at his death, he will pay a proportionate annual premium. When 40 years of age, he will have paid twenty premiums, and he may fancy that his policy

is worth the total amount of the premiums. But the policy is valued, not with reference to the past, but with reference to the future. At 40 years of age his "expectation of life" is not 13, but 23 years. It is then calculated, that 23 years hence the policy will be entitled to 1000*l.*; but that the annual premiums must be paid in the mean time. The value of the policy, therefore, is the present value of this 1000*l.* less the present value of all these annual payments. Should he wish to sell his policy when he is 60 years of age, he will find that it is proportionably less valuable, for his expectation of life will still be 13 years. A short rule for ascertaining the expectation of life, according to the Northampton Tables, is to take the age from the number 86, and then divide by 2. The value of a policy is generally about one-third of the amount of all the premiums that have been paid.

There are certain signs of approaching failure, which a banker must observe with reference to his customers. Thus—if he keeps a worse account than heretofore, and yet wants larger discounts—if the bills offered for discount are drawn upon an inferior class of people—if, when his bills are unpaid, he does not take them up promptly—if he pays in money late in the day, just in time to prevent his bills or cheques being returned through the clearing; but, above all, if he is found cross-firing: that is, drawing bills upon parties who at the same time draw bills upon him; as soon as a banker detects a customer in fair credit engaged in this practice, he should quietly give him reason for removing his account.

Sometimes two parties, who keep different bankers, will adopt a practice of exchanging cheques. Their cheques are paid into the banks too late to be cleared on the same day; and hence the parties' accounts appear better the next day than they otherwise would be. Some failing

parties, too, have recourse to forged or fictitious bills, which they put into circulation to a large amount. The best way for a banker to guard against loss from this practice is, to inquire in all cases about the accepters of the bills that he discounts, not only when his customers are doubtful, but even when they are deemed respectable. Indeed it is only people in good credit that can pass fictitious bills.

The banker's rule is, that they who have discounts must keep a proportionate balance; this is useful, as the amount of balance kept is an indication of the circumstances of the party. When a customer has heavy discounts, and keeps but a small balance, it may usually be inferred that he is either embarrassed in his affairs, or he is trading beyond his capital.

The operation which is called "nursing an account," sometimes requires considerable prudence, tact, and perseverance. A banker, having made considerable advances to a customer, suddenly discovers that the party is not worthy of the confidence he has placed in him. If these advances should be called up, or discontinued, the customer will break, and the banker sustain loss. The banker must be governed by the circumstances of each case. It is sometimes best to continue to discount the good bills, and refuse those of a different character; and thus gradually weed the account of all the inferior securities. Sometimes he may get the customer to stipulate that he will diminish his advances by certain fixed amounts, at certain periods; and thus, by alternately refusing and complying, the banker may at length place himself in a state of security. At other times, the banker may offer to make still further advances, on condition of receiving good security also for what has been already advanced. This plan is advisable when the additional advance is not

proportionably large, and the security is not inconvertible, otherwise the plan is sometimes a hazardous one. It requires some courage to look a loss in the face. And it has occurred that a banker, rather than sustain a small loss, will consent to make a further large advance upon inconvertible security; and the locking up of this large advance for an indefinite period has proved the greater evil of the two. In fact, some of the largest losses of fallen banks have been made in this way. They have, in the first instance, made an imprudent advance; rather than sustain this loss at once, they have made a further advance, with a view to prevent it. The advance has at last become so large, that if the customer falls, the bank must fall too; for the sake of self-existence, further advances are then made; these too are found ineffectual, and ultimately the customer and the bank fall together.

SECTION V.

THE ADMINISTRATION OF A BANK WITH REGARD TO PROCEEDINGS ON BILLS OF EXCHANGE.

WHEN a banker has discounted a bill, it is handed to the accountant, who will see that it is drawn on a right stamp. The accountant will read it through, and see that it is properly drawn, and will observe that the sum in writing corresponds with the sum expressed in figures, and that no alteration has taken place in the amount, the date, the term, or the place at which it is made payable; for these are *material* alterations, and would affect the validity of the bill. He will then calculate the time at which it falls due, and place this date upon the bill, or, if it was there before, he will check it, and see that it is right. He will then turn it over, and see that it is indorsed by the party in whose favour it is drawn, and also that the subsequent indorsements are regular and properly spelled; for if there be a variation of a single letter in the spelling of a name the payment of the bill could not be legally enforced. He will also observe that the bill is indorsed by the party for whom it is discounted. He will then pass the bill through the books,* and at the close of the day deliver it with the others to the banker.

* These books are described in the Section on Banking Book-keeping.

The banker will, on the following morning, put these bills away in his bill-case according to the dates at which they fall due. This point should be recollected by persons who have to get bills from a banker before they are due; for, after they have given the amount and the names, the next question asked them will be, "When is it due?" for among a multitude of bills, the only way of readily finding any individual bill is to turn to those that fall due on the same day. Every day the banker looks out the bills that fall due on the following day, and hands them to the chief clerk, (or, in some cases, the chief clerk himself has the charge of the bills,) who, after checking them against the books,* distributes them among the clerks who are to collect them. If the bill be not paid, it is noted on the same evening, and on the following morning returned to the customer for whom it was discounted, and his account is debited for the amount. But if the party has not the sum to his credit, and the banker does not like to trust him, he merely receives notice of its dishonour; and notice is also given to every other party to the bill, with a demand for immediate payment. The bill has now become that hated object, a "past due bill;" and after a while, if the parties are supposed to be "worth powder and shot," it is handed to the bank's solicitor.

I shall give a short description of Bills of Exchange, and notice a few of those points of law and of business which are of most importance to practical bankers.

A bill of exchange is a written order from one person to another, directing him to pay a sum of money either to the drawer or to a third person at a future time. This is usually a certain number of days, weeks, or months, either after the date of the bill, or after sight; that is, after the

* These books are described in the Section on Banking Book-keeping.

person on whom it is drawn shall have *seen* it, and shall have written on the bill his willingness to pay it. The party expresses this willingness by writing on the bill the word "*accepted,*" and his name. If the bill be drawn after sight, he also writes the date of the acceptance.

If the party in whose favour the bill is drawn wishes to transfer it, he writes his name on the back. This is called an *indorsement;* and may be either special or general. A special indorsement is made to a particular party; as, "Pay to Messrs. John Doe & Co. or order." A general, or blank indorsement, is when the person merely writes his name. It is held by the lawyers* that a special indorsement cannot *follow* a general indorsement, and that in such a case the holder may sustain an action for the amount, though the bill be not indorsed by the party to whom it is thus specially assigned. In practice, however, this is very common; and bankers always refuse to pay bills not properly indorsed, even though previous indorsements may be general. But, in regard to post bills, the Bank of England pays no regard to any special indorsement that may follow a general indorsement.

The following is the form of a Bill of Exchange:—

£1000. *London,* 1*st of May,* 1827.

Two months after date, pay to the order of Messrs. Quick, Active, & Co. (or me or my order) the sum of One Thousand Pounds, for value received.

Hearty, Jolly, & Co.

To Messrs. John Careful & Co.
Southwark.

Accepted, payable at
Messrs. Steady & Co. Bankers.
John Careful & Co.

* See Chitty on Bills of Exchange, p. 103.

A Promissory Note is as follows:—

£1000. *London, 1st of May,* 1827.

Two months after date, we promise to pay Messrs. Hearty, Jolly, & Co. or their order, the sum of One Thousand Pounds, for value received.

John Careful & Co.

At Messrs. Steady & Co.
Bankers,
Lombard Street.

The acceptance is usually written across a bill, but should always be on the front, not on the back of the bill. An indorsement, as the name implies, should be placed on the back.

The person who draws a bill is called the drawer; the person on whom it is drawn is called the drawee: after the bill is accepted the drawee is called the accepter. The person who indorses a bill is called the indorser; the person to whom it is indorsed is the indorsee. The person who pays a bill is the payer; the person to whom it is paid is the payee. These and similar terms may be illustrated by a circumstance said to have occurred on the cross-examination of a witness, on a trial respecting a mortgage.—*Counsellor.* "Now, sir, you are a witness in this case; pray do you know the difference between the mortgager and the mortgagee?"—*Witness.* "To be sure I do. For instance, now suppose I nod at you, I am the nod-er, and you are the nod-ee." The word discountee, denoting the person for whom a bill is discounted, is not used in England, but I observe in the parliamentary evidence that it was employed by some of the witnesses from Scotland.

All bills, except those payable on demand or at sight,

are allowed three days' grace. Thus, a bill drawn at two months from the 1st of May, will fall due on the 4th of July; but if that day be a Sunday, or a public holiday,* the bill will be due on the day before. Some bills, instead of being drawn after date or sight, state the time of payment, as "On the first of August pay, &c." These bills are allowed the usual three days of grace. Such a bill would fall due on the 4th of August.

Some parties, when they indorse a bill, write at bottom, "In case of need, apply to Messrs. C. D. & Co." That is, if the bill be not paid when due, Messrs. C. D. & Co. will on the day after it is due pay it for the honour of the indorsers. The notaries always observe the "cases of need" upon the bills that come into their hands, and apply to the proper parties. The advantage of placing a case of need upon a bill is, that the party indorsing it receives it back sooner in case of non-payment. It also makes the bill more respectable, and secures its circulation.

Were it not for the space it occupies, it would be very desirable that the indorser of a bill of exchange should be compelled to state also his address. This would prevent forged and fictitious indorsements, and give a banker who discounts a bill, a better opportunity of ascertaining the respectability of the parties. In case, too, the bill was unpaid, he might immediately apply to all the indorsers,

* To remove all doubts upon this subject, an Act of Parliament was passed, (7th & 8th Geo. IV. chap. 5,) which enacts, "that from and after the tenth day of April, one thousand eight hundred and twenty-seven, Good Friday, and Christmas-day, and every day of fast or thanksgiving appointed by his Majesty, is and shall for all purposes whatever, as regards bills of exchange and promissory notes, be treated and considered as the Lord's-day, commonly called Sunday." This Act does not extend to Scotland, but it has since been extended to Ireland. This Act does not vitiate a bill *dated* on a Sunday.

whereas now he has to find them out in the best way he can. The indorsers and drawer of a bill would have earlier notice of its non-payment, and have a better opportunity of obtaining their money from the antecedent parties.

Bills are divided into Inland and Foreign. Inland bills are those in which both the drawer and the accepter reside in England. Bills drawn from Scotland, or Ireland, are considered as foreign bills. If a foreign bill be refused acceptance or payment, it should be immediately protested and returned. An inland bill is only noted, and then only when refused payment. A foreign bill may be accepted verbally, or by letter; but no acceptance of an inland bill is valid, unless written upon the bill itself.

When a merchant in one country draws bills upon a merchant residing in another country, he usually draws them in sets: that is, he draws two, three, or more bills of the same tenor and date. These bills are sent to his correspondent by different ships. Thus he secures the swiftest conveyance, and his remittances will not be delayed by any accident that may happen to an individual ship. In drawing these bills, it is always expressly stated whether each bill be the first, second, or third of a set; as, "Pay this my *first* of exchange (the second and third not being paid)." On the payment of any one bill, the others are of no value. If a merchant, say at Paris, has a set of bills drawn on a merchant at London, he will sometimes send over the first bill to his correspondent in London, to get it accepted, and to retain it until claimed by the holder of the second. The merchant at Paris will then write on the second bill, that the first lies accepted at such a house in London. He will then sell it, or pay it away. By this means he is sure that the bill he negotiates will not be returned to him, and greater value is given to

his bill, not only as it has the additional security of the accepter's name, but, if it be drawn after sight, it will become due so much the sooner. When the second bill arrives in London, the holder takes it to the house where the first is deposited, and it is immediately given up to him.

Foreign bills are often drawn at a "usance" after date. A usance from Amsterdam, Rotterdam, Hamburgh, or any place in Germany, is one month; from France, thirty days; from Spain and Portugal, two months; from Sweden, seventy-five days; from Italy, three months. Where it is necessary to divide a month upon a half usance, which is the case when the usance is either one month or three, the half month is always fifteen days. Bills drawn from Russia are dated according to the old style, and twelve days must be added to the date, in order to ascertain at what time they fall due.

A bill is sometimes accepted *for the honour* of the drawer, or of one of the indorsers. Thus, if a bill from Hamburgh be drawn upon a person in London, who refuses to accept it, another party, knowing the drawer or one of the indorsers to be a respectable man, may accept the bill himself, for the honour of the party with whom he is acquainted. By this means he prevents the bill being returned, with expenses. This kind of acceptance renders him liable to pay the bill on the day after it is due, but he can afterwards recover the amount from the party for whose honour he has accepted it, and, of course, from all preceding parties. But, to secure himself, he must not accept the bill until after it has been protested for non-acceptance, and he must write, "Accepted for the honour of A. B. & Co." upon the face of the bill. And when the bill is due, he must not pay it, until it has been presented for payment to the drawee.

Bills accepted, and made payable at a banking-house, in the usual manner, without the addition of the word ONLY, may be presented either at the banking-house, or at the residence of the accepter. In either case, it is a legal presentment,* as far as regards the accepter. In practice, however, bills are always presented at the place where they are made payable. If a bill be addressed to a banking-house or any other place ONLY, the payment cannot be enforced until it has been presented at that place. If any particular place of payment be mentioned in the body of a promissory note, it must be presented there.

When bankers receive any unaccepted bills, they send them out for acceptance, if they have four days to run. They are left at the house of the drawee, and are called for on the following day. On the day the bills are due, the tellers present them in the morning, at the place where they are made payable. If not paid when presented, they leave a printed notice or direction, of which the following is a copy:—

Bill for £
Drawn by Mr.
On Mr.
Lies due at Messrs. Steady & Co.
No. Lombard Street.

Please call between Two and Four o'clock.

If not paid by five o'clock, the bill is sent to the notary's.† It is brought to the banking-house the following morning, with the notary's ticket attached to it, stating the reason why it is not paid. The bill is then returned. If it be a foreign bill, that is, drawn from any foreign land, it must

* 1 & 2 Geo. IV. cap. 78.

† For an account of the origin of Notaries Public, see the History and Principles of Banking.

be protested. Foreign bills are also protested for non-acceptance; but inland bills are not, nor even noted, but the party who remitted the bill to the banking-house is advised of the circumstance.

Bills under the value of 40*s*. are not subject to the stamp duty; nor are drafts upon bankers, payable to bearer on demand, provided the drafts are drawn within fifteen miles of the banking-house, and they specify such place, and bear date on or before the day on which they are issued. A person drawing a cheque beyond this distance, is subject to a penalty of 100*l*.; the person knowingly receiving it, to a penalty of 20*l*.; and the banker paying it is liable to a penalty of 100*l*. The post-dating of cheques to make them serve the purpose of bills of exchange, is subject to the same penalties.*

The following is the form of a Draft or Cheque:—

No. 457. *London, May* 1, 1827.

Messrs. Hope, Rich, & Co. Lombard-street.

Pay John Doe, Esq. or bearer, the sum of One Hundred Pounds.

£100. *Peter Thrifty & Co.*

The words "or bearer" are essentially necessary, or the draft must be drawn on a stamp, and indorsed by the party who receives it.

Bills for 20*s*. and under 5*l*. must specify the name and residence of the payee; they must be payable within twenty-one days after date, and be attested by one subscribing witness. Every indorsement must be attested by a witness; and must specify the name and residence of the indorsee. All bills drawn for a less sum than 20*s*. are illegal.

* 55 Geo. III. cap. 184, 812, 813.

A bill given for an illegal consideration cannot be enforced by the drawer, but it may be enforced by an innocent holder who had no knowledge of the illegal consideration, and who received the bill before it was due. The principal illegal considerations are those arising from usury, gambling, and smuggling. Bills drawn at not more than twelve months after date, are exempt from the operation of the laws against usury.

The following is the Table of Stamp Duties upon Bills of Exchange:—

					Not exceeding 2 months after date, or 60 days sight.			Exceeding 2 months after date, or 60 days sight.		
£	s.		£	s.	£	s.	d.	£	s.	d.
Amounting to 2	0	and not exceeding	5	5	... 0	1	0	... 0	1	6
5	5	.....	20	0	... 0	1	6	... 0	2	0
20	0	.....	30	0	... 0	2	0	... 0	2	6
30	0	.....	50	0	... 0	2	6	... 0	3	6
50	0	.....	100	0	... 0	3	6	... 0	4	6
100	0	.....	200	0	... 0	4	6	... 0	5	0
200	0	.....	300	0	... 0	5	0	... 0	6	0
300	0	.....	500	0	... 0	6	0	... 0	8	6
500	0	.....	1000	0	... 0	8	6	... 0	12	6
1000	0	.....	2000	0	... 0	12	6	... 0	15	0
2000	0	.....	3000	0	... 0	15	0	... 1	5	0
3000	0	.....	——		... 1	5	0	... 1	10	0

Foreign Bills drawn in sets:—

				s.	d.	
Not exceeding	.....	£100	.....	1	6	each bill.
Exceeding £100	not exceeding	200	.....	3	0	
200	.....	500	.....	4	0	
500	.....	1000	.....	5	0	
1000	.....	2000	.....	7	6	
2000	.....	3000	.....	10	0	
3000	.....	——	.....	15	0	

Foreign bills (those drawn from foreign parts) are not required to bear an English stamp, nor indeed any stamp at all. But bills *dated* from any place abroad, but actually drawn in England, on unstamped paper, are invalid. No

action can be sustained to enforce payment, nor can they be proved in the Court of Bankruptcy, against the estate of even the accepter. A banker should therefore use caution in taking bills where the drawers and the accepters are the same firm—one branch of the house residing in England, and the other branch residing abroad. Such bills may be fabricated in London, for the purpose of raising the wind.

If a woman accepts a bill, and is married before it becomes due, her husband may be sued for the amount, but she cannot. If a bill be indorsed to a woman, who afterwards marries, her husband must indorse the bill, unless she indorses it as the agent and by the authority of her husband. Should she have occasion to sue any of the antecedent parties to a bill, the action must be brought in the name of the husband, or else in the joint names of the husband and the wife. If a woman who is actually married accepts a bill by and with the authority of her husband, the acceptance is binding on the husband; but if she accepts a bill without his authority, he cannot be legally compelled to pay it, unless it were given for articles necessary to her support.

A person under twenty-one years of age, whether accepter, drawer, or indorser of a bill of exchange, cannot be sued at law, except the bill be drawn upon him for necessaries; but if he draw a bill, and transfer it to a third person, the third party may sue the accepter. The term "necessaries," is generally considered to include not only those things which are essential to existence, but those also which are suitable to the rank of the party. Many articles are considered necessary to the son of a nobleman, which would not be necessary to a man of an inferior station in society.

If the drawee refuse to accept a bill, the holder may

immediately bring an action for the amount against all the other parties, without waiting until the bill becomes due. And should the word "at" be written before the name of the drawee, it makes no difference, especially if it be written in such a manner as if designed to escape observation. But it is the practice of the London bankers to hold bills refused acceptance, and merely give notice of the circumstance to the party who sent it to the bank. If, however, it be an inland bill, drawn after sight, the bill is noted for non-acceptance. If it be a foreign bill, it is protested, and the protest sent to the last indorser. If the bill be not paid when due, it is then protested for non-payment, and with the second protest returned to the last indorser. When a bill is drawn after sight, the day on which it is noted or protested for non-acceptance, is regarded as the day on which the drawee has seen it, and the time on which it will become due is calculated accordingly.

If the accepter, drawer, and all the indorsers to a bill become bankrupts, the holder may prove for the full amount under each commission, and receive a dividend under each, provided he do not receive altogether more than 20*s.* in the pound. But if he receive a dividend under one commission before proving under the others, he can only prove for the balance.

If a bill be lost, immediate notice should be given to the accepter, and to the bankers or other parties at whose house it may be made payable. If, after such notice, they pay the bill to any person who had not given value for it, they are accountable to the loser. But a person who had given value for a lost or stolen bill, to a thief, or to a finder, can recover the amount from all the parties in the same way as though he had received it in the course of business from the last indorser, provided the bill was not

specially indorsed. But if it was specially indorsed, and the thief or finder should have forged the indorsement, the holder cannot recover the amount, even though he may have given value for the bill, but he must sustain the loss.

If a lost bill should have been specially indorsed, or if the loser can prove that the bill has been destroyed, he can bring an action against the accepter for the amount. But if he cannot prove that the bill is actually destroyed, and it was indorsed in blank, he cannot recover from the accepter. For it is possible that a finder may pass it for a valuable consideration to another party, who would thus be a *bona fide* holder, and might compel the accepter to pay him the amount. In this case, therefore, the loser has no redress in *law*, but he may apply to a court of equity, and *might* obtain an order upon the accepter to pay the amount of the lost bill upon receiving a satisfactory indemnity. The loser of a bill should cause payment to be demanded from the accepter the day it falls due, and give notice of dishonour to the drawer and indorsers, in the same way as though he had the bill in his possession.

A country banker gave change for a Bank of England note for 100*l.* which had been stolen. It was done at the time of the races, and immediately on opening the bank. The party who brought it stated he had some bets to pay at the race-course, and gave a fictitious address, which was written on the note. The loser of the note brought an action against the banker, and recovered the amount. The judge who tried the cause, stated that in his opinion there had been laches, *i.e.* neglect on the part of the bankers in not making further inquiry, and under his direction the jury returned a verdict for the plaintiff.

Any material alteration of a bill of exchange vitiates

the bill, and it cannot be legally enforced against any of the parties, unless the alteration be made before the bill be accepted, and also before it has passed out of the hands of the drawer.

Thus, if a bill be left for acceptance by the drawer, and the drawee alter the date, time, or amount of the bill, and then accept it, the alteration does not affect the validity of the bill: but if the bill be left for acceptance by a third party, and the drawee then alters and accepts the bill, the bill is vitiated. Any alteration in the date, sum, time, name of drawer or payee, or appointing a new place of payment, is a material alteration, and requires a new stamp. But any alteration made only with a view of correcting a mistake does not vitiate a bill, provided it be made with the concurrence of all the parties. If a drawee accepts a bill, and before he gives the bill out of his possession, cancels his acceptance, he cannot be compelled to pay it.

A bill must be presented in *reasonable* time. But what is a *reasonable time*, is a question of consideration for the jury, and the decision has varied according to circumstances. If a bill be presented at a banker's after the hour of business, the presentment is not in reasonable time. Nevertheless such a presentment is a legal presentment, if the banker or any person on his behalf should be there to give an answer to the party presenting it.

Cheques, and notes payable on demand, should also be presented for payment within a *reasonable time* after they are received. It has been held that a person who receives a cheque is not bound to present it at the banker's till the next morning; and if the bank was at a distance he was not bound to put the cheque into the post-office until the next day. But, perhaps, it would not be safe to rely upon these decisions. No general rule can be given; for

the time which may be *reasonable* in one case may be unreasonable in another.

If a banker receive a bill or note by post, he is not required to present it until the next day.

"A man taking a bill or note payable on demand, or a cheque, is not bound, laying aside all other business, to present or transmit it for payment the very first opportunity. It has long since been decided, in numerous cases, that, though the party by whom the bill or note is to be paid live in the same place, it is not necessary to present the instrument for payment till the morning next after the day on which it was received. And later cases have established, that the holder of a cheque has the whole of the banking hours of the next day within which to present it for payment."*

In the following case it was decided that the presentment of a bill of exchange at the clearing-house is a legal presentment.

"On the 11th September, between one and two o'clock, the defendants gave the plaintiffs a cheque upon Bloxam & Co. then bankers, in payment for goods. The plaintiffs lodged the cheque with Messrs. Harrison, then bankers, a few minutes after four; and they presented it between five and six to Bloxam & Co., who marked it as good. It was proved to be the usage among London bankers, not to pay any cheque presented by or on behalf of another banker after four o'clock, but merely to mark it if good, and pay it next day at the clearing-house. On the 12th at noon, Harrisons' clerk took this cheque to the clearing-house, but no person attended for Bloxam & Co., who stopped payment at nine on that morning, and the cheque was therefore treated as dishonoured. The plaintiffs, in going with the cheque to Harrisons', passed Bloxams' house. On a case stating these facts, the court held that there had been no laches in the plaintiffs, in not presenting the cheque to Bloxam & Co. on the 11th for payment, or in his bankers', in not presenting it at the banking-house but merely at the clearing-house, and therefore gave judgment for the plaintiff."†

Bills may be negotiated after they are due, but the party receiving an over-due bill cannot acquire a claim

* Byles's Law of Bills of Exchange, page 123.
† Bayley on Bills of Exchange.

which the party holding the bill did not possess. For instance, one party may draw an accommodation bill upon another. As in this case no value had been given, the drawer could not sue the accepter for the amount. But if the drawer had passed this bill *for value* to a third party *before it became due*, that party could sue the accepter. But if the drawer passed it to a third party even for value *after it became due*, the third party could not sue the accepter, but would stand in the same situation as the drawer.

If a party lodge bills with a banker for the purpose of being collected, and the amount when received to be placed to his credit, and the banker gets them discounted, and applies the money to his own use, the customer has no redress except against the banker. The party who has given value for the bills to the banker can enforce payment of them.

As the giving notice of the dishonour of a bill or cheque is of considerable practical importance, I shall make a few extracts upon the subject from Mr. Justice Bayley's Treatise on Bills of Exchange.

"Though no prescribed form be necessary for notice of the dishonour of a bill or note, it ought to import that the person to whom it is given is considered liable, and that payment from him is expected.

"And the notice ought to import that the bill or note has been dishonoured: a mere demand of payment and threat of law proceedings in case of non-payment is not sufficient.

"Especially if such demand be made on the day the bill or note becomes due.

"Notice must be given of a failure in the attempt to procure an acceptance, though the application for such acceptance might have been unnecessary; otherwise the person guilty of the neglect may lose his remedy upon the bill.

"The notice must come from the holder, or from some party entitled to call for payment or reimbursement.

"A notice from the holder or any other party will ensure to the benefit of every other party who stands between the person giving the notice,

and the person to whom it is given. Therefore a notice from the last indorsee to the drawer, will operate as a notice from each indorsee.

" It is, nevertheless, prudent in each party who receives a notice, to give immediate notice to those parties against whom he may have right to claim; for, the holder may have omitted notice to some of them, and that will be no protection; or there may be difficulties in proving such notice.

" A notice the day the bill or note becomes due is not too soon; for though payment may still be made within the day, non-payment on presentment is a dishonour.

" To such of the parties as reside in the place where the presentment was made, the notice must be given at the farthest by the expiration of the day following the refusal: to those who reside elsewhere, by the post of that or the next post day. Each party has a day for giving notice, and he is entitled to the whole day; at least, eight or nine o'clock at night is not too late. He will be entitled to the whole day, though the post by which he is to send it goes out within the day.

" And though there be no post the succeeding day for the place to which he is to send. Therefore, where the notice is to be sent by the post, it will be sufficient if it be sent by the post of the following day. Or, if there be no post the following day, the day after.

" Where a party receives notice on a Sunday, he is in the same situation as if it did not reach him till the Monday; he is not bound to pay it any attention till the Monday; and has the whole of Monday for the purpose. So, if the day on which notice ought thus to be given be a day of public rest, as Christmas-day or Good Friday, or any day appointed by proclamation for a solemn fast or thanksgiving, the notice need not be given until the following day.

" And it has been held that where a man is of a religion which gives to any other day of the week the sanctity of Sunday, as in the case of the Jews, he is entitled to the same indulgence as on that day.

" Where Christmas-day, or such day of fast or thanksgiving, shall be on a Monday, notice of the dishonour of bills or notes due or payable the Saturday preceding need not be given until the Tuesday.

" And Good Friday, Christmas-day, and any day of fast or thanksgiving, shall, from 10th April, 1827, as far as regards bills or notes, be treated and considered as Sunday.

" But these provisions do not apply to Scotland.

" If the holder of a bill or note place it in the hands of his banker, the banker is only bound to give notice of its dishonour to his customer, in like manner as if the banker were himself the holder, and his customer were the party next entitled to notice.

" And the customer has the like time to communicate such notice, as if he had received it from a holder.

"And therefore by thus placing a bill or note in a banker's hands, the number of persons from whom notice must pass is increased by one.

"Thus notice sent by a London banker to a London customer, the day after the dishonour, is in time; and if the customer communicate that notice the day following, that will be in time also.

"It is no excuse for not giving notice the next day after a party receives one, that he received his notice earlier than the preceding parties were bound to give it; and that he gave notice within what would have been proper time if each preceding party had taken all the time the law allowed him. The time is to be calculated according to the period when the party in fact received his notice. Nor is it any excuse that there are several intervening parties between him who gives the notice, and defendant to whom it is given; and that if the notice had been communicated through these intervening parties, and each had taken the time the law allows, the defendant would not have had the notice sooner.

"Sending a verbal notice to a merchant's counting-house in the ordinary hours of business, at a time when he or some of his people might reasonably be expected to be there, is sufficient; it is not necessary to leave or to send a written notice, or to send to the house where he lives. Sending notice by the post is sufficient, though it be not received; and where there is no post, it is sufficient to send by the ordinary mode of conveyance.

"And it is not essential the notice should be sent by the post where there is one; sending to an agent by a private conveyance, that he may give the notice, is sufficient, if the agent give the notice, or take due steps for the purpose, without delay.

"Notice to one of several partners is notice to all: and when a bill has been drawn by a firm upon one of the partners, and by him accepted and dishonoured, it is unnecessary to give notice of such dishonour to the firm; for, this must necessarily be known to one of them, and the knowledge of one is the knowledge of all.

"Upon an acceptance payable at a banker's, notice of non-payment need not be given to the accepter; for he makes the bankers his agents; presentment to them is presentment to him.

"A person who has been once discharged by laches from his liability on a bill or note, is always discharged. And, therefore, where two or more parties to a bill or note have been so discharged, but one of them, not knowing of the laches, pays it; he pays it in his own wrong, and cannot recover the money from another of such parties."

As many bills drawn in foreign languages pass through the hands of a London banker, it may be useful to give a list of some of those words which express the

amount and the time, the two main points in a bill of exchange :—

English	One	Two	Three	Sixty	Ninety
German	Ein	Zwei	Drei	Sechzig	Neunzig
Dutch.....	Een	Twee	Drie	Zestig	Negentig
French	Un	Deux	Trois	Soixante	Quatre-vingt-dix, or Nonante.
Italian	Uno	Due	Tre	Sessanta	Nonanta, or Novanta.
Spanish	Uno	Dos	Tres	Sesenta	Noventa
Portuguese...	Hum	Dous	Tres	Secenta	Noventa
Swedish	En	Twa	Tre	Sexti	Nitti
Danish	Een	To	Tre	Tredsindstyve	Halvfemtesindstyve.

English.....	Two Months after date.
German.....	Zwei Monate nach dato.
Dutch	Twee Maanden na dato.
French	A deux mois de date.
Italian	A due mesi dopo data.
Spanish	A dos meses de la fecha. A dos meses data.
Portuguese	A dous mezes de data.
Swedish	Twa manander ifran dato.
Danish	To maaneder efter dato.

English.....	Three days after sight.
German.....	Drei tage nach sicht.
Dutch	Drie dagen na zigt.
French	A trois jours de vue.
Italian.....	A tre giorni vista. A tre giorni dopo vista.
Spanish.....	A tres dias vista.
Portuguese	A tres dias vista.
Swedish	Tre dagar efter sigt.
Danish	Tre dage efter sigt.*

In all the above languages, "at sight" is usually expressed by *a vista*, except the French, which expresses it by *à vue*. "At usance" is expressed by *a uso* or *ad uso*. The names of the months so nearly resemble the English, that a mistake can but rarely occur.

* These phrases are taken from a small pamphlet, called The Interpreter, compiled and translated by a Member of the Society of Public Notaries in London.

The following are forms of bills in each of the above-mentioned languages :—

FRENCH.

Lille, le 28 *Septembre,* 1848. *Bon pour* £158 9 *Sterlings.*

Au vingt-cinq Décembre prochain, payez par ce mandat à l'ordre de nous-mémes la somme de cent cinquante-huit livres sterlings 9 *schellings valeur en nous-mémes et que passerez suivant l'avis de*

_____

A Messrs. _____

à Londres.

GERMAN.

Nürnberg, den 28 *October,* 1848. *Pro* £100 *Sterling.*

Zwei Monate nach dato zahlen Sie gegen diesen Prima Wechsel an die Ordre des Herrn _____ *Ein Hundert Pfund Sterling den Werth erhalten. Sie bringen solche auf Rechnung laut Bericht von der*

_____

Herren _____

London.

DUTCH.

Grouw, den 1*st November,* 1848. *Voor* £59 17 6

Twee maanden na dato gelieve UEd te betalen voor dezen onzen prima Wisselbrief de secunda niet betaald zynde aan de ordre van de Heeren _____ *negen & vyftig Ponden zeventien schelling en zespences sterling, de waarde in rekening UEd stelle het op rekening met of zonder advys van*

_____

de Heer _____

te London.

ITALIAN.

Livorno, le 25 *Settembre,* 1848. *Per* £500 *Sterlins.*

A Tre mesi data pagate per questa prima de Cambio (una sol volta) all' ordine _____, *la somma di Lire cinque cento sterline valuta cambiata, e ponete in conto M. S. secondo l'avviso Addio*

_____

Al _____

Londra.

SPANISH.

Malaga, á 20 *de Setbre de* 1848. *Son* £300.

A noventa dias fecha se serviran Vs mandar pagar por esta primera de cambio á la orden de los Sres _____ *Tres cientas libras Esterlinas en oro o plata valor recibido de dhos Sres que anotaran valor en cuenta segun aviso de*

_____

A los Sres _____

Londres.

PORTUGUESE.

£600 *Esterlinas.* *Lisbon, aos* 8 *de Dezembro de* 1848.

A Sessenta dias de vista precizos pagará V _____ *por esta nossa unica via de Letra Segura, à nos ou à nossa Ordem a quantia acima de Seis Centas Livras Esterlinas valor de nos recebido em Fazendas, que passera em Comta segundo o aviso de*

_____

Ao Senr _____

Londres.

SWEDISH.

Bjorneberg, den 23 *September,* 1848. *For £ Sterl.* 100.

Nittio Dagar efter dato behagade H. H. emot denna prima Wexel (secundo obetald) betala till Herr _____ *elle ordres Etthundra Pund Sterling som stalles i rakning enligt avis.*

_____

Herrar _____

London.

DANISH.

Kjobenhavn, 9 *December,* 1848. *Rbae* 4,000.

Tre maaneder efter dato behager de at betale denne Prima Vexel, secunda ikke, til Herr _____ *eller ordre med Fire Tusinde Rigsbank Daler, Valutta modtaget og stilles i Regning ifölge advis.*

_____

Herrer _____

London.

Bills of exchange form a large proportion of the circulating medium of Lancashire, and supply the place of country notes. The following account is given by J. Gladstone, Esq. M.P. :—

"We sell our goods, not for payments in cash, such as are usual in other places, but generally at credits from ten days to three months, to be then paid for in bills on London at two or three months' date; those bills we pay to our bankers, and receive from them bills or cash when we have occasion for either, to make our payments. The bank notes or gold we require for our ordinary purposes and charges of merchandise of every description. The account is kept floating. The interest on both sides is calculated at the same rate, at present five per cent. Last year the rate was reduced to four; and the banker charges a commission of a quarter per cent. on the amount of one side of the account; that charge is his remuneration, and that of his bankers in London, for paying our acceptance there, both inland and foreign. The account fluctuates, depending on the confidence the banker may have in his customers; if that confidence is entire, the customer is occasionally in his banker's debt, but more frequently the balance is in his favour.

"Does that extend to the whole of Lancashire?—I believe the system at Manchester, Preston, and the other principal towns, is similar; I am not aware of any other. There are some small country bankers in the neighbourhood of Manchester, who issue promissory notes, but I do not know any thing of their practice: none of the more respectable banks in Lancashire do issue them."*

"If I sell a thousand pounds' worth of goods to a wholesale grocer, or any other person who again distributes them to his customers in the country, when he comes to pay me the 1000*l.* he will do so in bills, running from 10*l.* to any other sum; the 1000*l.* may be paid in twenty or thirty bills of exchange, drawn on London, and generally at two and sometimes three months date."†

Mr. Lewis Loyd, of the firm of Messrs. Jones, Loyd & Co. estimated in 1826, that the circulation of Manchester consists of nine parts bills of exchange, and the tenth part gold and Bank of England notes. Others think, the proportion is as high as twenty to one, or even fifty to one.‡

* Lords, 216, Gladstone. † Lords, 227, Gladstone.

‡ See Evidence of Lewis Loyd, Esq. and of Mr. Henry Burgess, before the Committee of the House of Lords, pp. 294, 298.

Mr. Loyd stated he had seen bills of 10*l.* with 120 indorsements upon them; and when the stamp duties were lower, bills were drawn of a lsss amount. He gives the following *criteria* of accommodation bills. "Bills that are issued for speculation generally travel to London very rapidly, with very few indorsements upon them; they are wanted to be converted into bank notes immediately, and come quite clean, and without any marks of negotiation upon them; and besides that we know the parties upon them pretty well." In Scotland an accommodation bill is called a wind bill.

It may be mentioned, that after the establishment of branches of the Bank of England at Manchester and Liverpool, the bill circulation of Lancashire was considerably diminished. Most of the banks made agreements with the branch bank, stipulating that in consideration of having a certain amount of discount, at a reduced rate of interest, they would not issue for local circulation, any bills they had discounted for their customers. These agreements have been modified since the Act of 1844; but still the main circulation of Lancashire consists of Bank of England notes. It would not now be possible to find a bill with 120 indorsements.

The late Mr. Leatham attempted to calculate the amount of bills in circulation, or more properly speaking, in existence, during each year. He, through Lord Morpeth, obtained a return of the number of stamps issued from 1835 to 1839 inclusive, and based his calculations on the supposition that each bill was circulated for half the amount which the stamps would cover, which was considerably under the amount. From the experience of his own bank, compared with that of the principal discount offices in London, he found that the average date of bills, including foreign and inland, was three months.

He then took the whole stamps for a year, and divided them by four, which gave the amount circulating at one time. By a similar induction, he estimated foreign bills at one-sixth of the English, though the proportion was rather greater; and he took the same average for Irish bills in the years where no official returns had been made.*

There are some knotty questions connected with bills of exchange; such as, Ought bills of exchange to be regarded as currency? Have bills of exchange any effect on the prices of commodities? In what way do bills of exchange adjust the foreign exchanges? We have discussed these questions elsewhere; but as they more appropriately belong to the science than to the practice of banking, we do not introduce them into the present work.

* See Mr. Leatham's Statement on the following page.

Statement of the Bill Circulation of Great Britain and Ireland, during the years under-mentioned :—

	1815.	1824.	1825.	1826-7.
	£	£	£	£
Bill Stamps for Great Britain, creating the sum	477,493,100	232,429,800	260,379,400	207,347,400
Estimated Irish Bills	79,582,183	38,738,300	43,396,566	34,557,803
Foreign Bills	92,845,880	45,194,683	50,629,327	40,317,072
Total	649,921,163	316,362,783	354,405,293	282,222,305
Average amount in circulation at one time	162,480,290	79,090,695	88,601,323	70,555,576

The following is a similar return for the years 1835 *to* 1839 :—

	1835.	1836.	1837.	1838.	1839.
	£	£	£	£	£
British Bills	294,775,269	355,288,900	333,268,600	341,947,400	394,203,000
Irish Bills	51,109,061	59,155,607	54,179,165	54,359,464	55,615,722
Estimated amount of Foreign Bills	57,914,721	69,420,406	65,012,080	66,500,577	75,479,120
Bills created by Bankers compounding for Stamps	1,604,000	2,078,560	2,624,600	2,696,600	3,196,000
Total	405,403,051	485,943,473	455,084,445	465,504,041	528,493,842
Average amount in circulation at one time	101,350,762	121,485,868	113,771,111	116,376,010	132,123,460

SECTION VI.

THE ADMINISTRATION OF A BANK WITH REGARD TO THE EMPLOYMENT OF ITS SURPLUS FUNDS.

THE means of a London banker consist mainly of his capital and his deposits. A certain portion of this sum is kept in the till, to meet daily demands; another portion is advanced in the way of discounts or loans to his customers. The remainder forms his surplus fund; of which a part will probably be invested in Government securities; loans to bill brokers, payable on demand; in short loans on the Stock Exchange, or in first-rate bills obtained through the bill brokers, and hence styled brokers' bills. The Government securities are the more permanent of these investments. The amount will seldom vary. It is not deemed creditable for a bank to speculate in the funds, or to buy and sell stock frequently, with a view of making a profit by the difference of price; hence a banker sells his Government securities only in a season of pressure, as a means of precaution, or in order to meet urgent demands. On other occasions, he will, when necessary, reduce his short loans or brokers' bills. These form his fluctuating investments. In seasons when money is abundant his deposits will increase, and perchance, at the same time, the demand of his customers for loans or discounts will diminish. His surplus funds will thus

increase. But these temporary surplus funds he will on no account invest in Government securities, as his deposits will be certainly, and perhaps suddenly, reduced, and he might have to realise his Government securities at a loss. He will in this case increase his loans to brokers, and his brokers' bills. And though he will get as much interest as he can, he will take a very low interest rather than keep the money unproductive in his till, or invest it in a more permanent form. We will now take a short review of the different kinds of investment we have mentioned. The three grand points for consideration are, convertibility—exemption from loss—and a good rate of interest. But first we will notice those circumstances which regulate the amount of cash to be kept in the till.

The amount of money which a banker will keep in his till depends upon circumstances. First, the amount of his deposits. It is natural to suppose that when his deposits are large, he will keep more money to meet them than when his deposits are small.—Secondly, the amount of his daily payments. These will not at all times correspond with the amount of the deposits; for some accounts are more *operative* than others. On commercial accounts, for instance, the payments will be much heavier in proportion to the average balance than on accounts which are not commercial. The city bankers pay much larger sums every day, in proportion to the amount of their deposits, than the bankers at the west-end.—Thirdly, if a banker issues notes, he will keep a less amount of other money in his till. The popular opinion is, that he keeps more, as he has to provide payment for his notes as well as his deposits. This is true in seasons of pressure. But in ordinary times he keeps less, as he pays the cheques drawn on account of his deposits with his notes, and these notes often get into the hands of another banker, with

whom he settles by a draft on London. His reserve to meet his notes, is kept, not in his own till, but in London, where it probably yields him interest. Indeed, when his deposits are withdrawn in large amounts, they are more usually withdrawn by a draft on London than in any other way.—Fourthly, the number of the branches. If a bank has many branches, the total amount of cash kept in the tills of the head office and all the branches put together, will be considerably more than would be required if the whole of the business were collected into one place. In the case of a run the difference is considerable, as every point open to attack must be well fortified. The stoppage of one branch, even for a short time, would bring discredit upon the whole establishment.—Fifthly, in London the amount of notes to be kept in till will be affected by the privilege of clearing. Those bankers that "clear," can pay bills and cheques upon them by the bills and cheques they have upon other bankers. Those banks that do not clear must pay all the bills and cheques upon them in bank notes before they receive payment of the bills and cheques they have upon other bankers. Hence they must lock up every night with a larger amount of cash in their vaults.

We need hardly say that with every banker the amount in the till will fluctuate from day to day. Though a banker has a certain average amount in his own mind, below or above which he does not swerve very widely, yet the cash-book will seldom be exactly this amount. Sometimes he will strengthen his till, in the prospect of large payments that may come upon him suddenly. At other times he will run his till low for a day or two, in expectation of large sums that will shortly be due to him. During the day, too, either the receipts or the payments may be heavier than he expected, and hence, now and

then, the cashier reports to the chief clerk or to the banker, the state of the till, in order that, if necessary, it may be replenished. The temperament of a banker, too, has some effect in this case. Some bankers are so cautious that they will "lock up" with a large amount of cash; others are so anxious to make profit, that they will keep their cash very low. The state of the money market will also influence the tills of the bankers. When money is abundant a banker will lock up with more money than he wants, because he cannot employ his funds. When money is so scarce as to betoken a pressure, he will also lock up strong, so as to be prepared for any emergency. In fact, there can be no general rule for regulating the amount of the till. Every banker must be guided by the experience of his own bank. The directors of the Bank of England consider that their reserve in bank notes and gold should be equal to about one-third of their deposits. From the accounts published by some of the London joint-stock banks, it would appear that the "cash in hand" is equal to about one-fifth or one-sixth of their liabilities. Even this, we conjecture, is a higher proportion than that which is generally kept by London bankers, especially by those who settle their accounts with each other at the clearing house.

To resume:—After a banker has furnished his till, and supplied his customers with such loans and discounts as they may require, he has a surplus of cash. This surplus may be considered as being divided into two parts—though it is never actually so divided—the permanent surplus, which the banker is not likely to require, except in seasons of extreme pressure, and the temporary surplus arising from fluctuations in the deposits. We shall now notice those modes of investment to which we have referred.

With regard to Government securities, we have high authority from the testimony of practical bankers. The following are quotations given before the Joint-stock Bank Committee, in the year 1836, by the late Vincent Stuckey, Esq. the founder of Stuckey's Banking Company, in Somersetshire, and James Marshall, Esq. the retired Secretary of the Provincial Bank of Ireland.

Mr. V. Stuckey :—

"What is your reason for keeping so large a sum in Government stock?—I have always found from my experience, except two days in my life, that I could get money more easily upon those securities than any other.

"Is it easier, in times of emergency, to obtain money on Government stock than on good Mercantile bills?—I have always found it so.

"You do not concur with any witnesses who state that they have found good negotiable bills more easy to obtain money upon than Government stock?—No: I have never found that with a good bill; even of the house of Baring, I could get money more easily than on Government stock.

"Do you consider that, generally speaking, in London the rate of interest at which you borrow money on exchequer bills and stock is notoriously lower than that at which you borrow on bills of exchange?—Yes, it is lower, and for that reason we generally adopt it."

Mr. James Marshall :—

"Will you inform the Committee whether it is the usage of the Provincial Bank to invest any portion of its funds in the public securities?—It has been its uniform practice so to do.

"By public securities, what do you understand?—The Consols, for instance; there are various kinds of Government stock; exchequer bills, and Bank of England stock, are generally considered as a public sort of security.

"Do you hold stock in London only, or in Dublin as well as in London?—In Dublin but to a limited amount, because it is not easily convertible there.

"On what ground is it that it is not easily convertible in Dublin?—From the limited nature of the market as compared with London; we could not sell even an immaterial sum without lowering considerably the price.

"Have there not been at various times, from various causes, runs on the Provincial Bank, which rendered it necessary to supply large amounts of specie to that country?—There have, repeatedly.

"Do you consider, from your experience, that it would have been competent to the bank to have maintained its full security, with satisfaction to the directors, if they had not been possessed of very considerable funded property in this country?—Certainly not; speaking of the last run that happened especially, I must say that that differed from any former run in this respect.

"You were conversant with the management of the Scotch banks prior to your connexion with the Provincial Bank?—Yes.

"Is it not the usage of all the Scotch banks in like manner to maintain a very considerable portion of their funds as invested in the Government securities?—I believe the practice with all is generally so, but I can speak particularly to that of the three oldest banks—as they are commonly called, the three chartered banks,—the Bank of Scotland was erected by Act of Parliament, the Royal Bank of Scotland and the British Linen Company are erected by charter, but have been recognised in the same way, so that there are three public banks in distinction to any of the subsequently-formed banks; I can state from personal knowledge, that these banks have had always a very large sum indeed invested in the funded property of the kingdom.

"Do you consider it would be a safe system of banking, if the capital of the bank was altogether invested in commercial bills?—Certainly not."

Of the various kinds of Government stock, consols are the best, as there is a more ready market for this kind of stock, and money can usually be borrowed on them until the next account day; so that, if a banker has only a temporary demand for money, he may thus obtain it at a moderate interest, when, by selling his stock at that time, he might sustain loss. The Bank of England has recourse, sometimes, to this mode of strengthening her reserve. Sometimes, too, a banker may make a profit by lending his consols. At the monthly settlings, among the brokers, stock is sometimes in demand, and money may be obtained upon consols, until the next settling, without paying any interest; and the banker may employ the money in the mean time. As, however, the rate of interest is usually low in such seasons, his profit will rarely be great.

It is not advisable, however, that all the stock a banker holds should consist of consols. For a month before the payment of the dividends in January and July, this stock is shut, and during those times he can neither sell his stock, nor borrow money upon it. This may be inconvenient, and he can only avoid this inconvenience by selling or lending his consols, just before the shutting, on the best terms he can. To avoid either of these alternatives, it is better he should divide his stock, and hold half the amount in consols, and half in reduced 3, or in the $3\frac{1}{4}$ per cents. The dividends on these latter stocks are payable in April and October, so that by this means the banker will always hold an open stock: when consols are shut, the reduced 3 and the $3\frac{1}{4}$ per cents. are open, and *vice versâ*. There are no time bargains in the reduced 3 per cents., or in the $3\frac{1}{4}$ per cents.; but in ordinary times money can be borrowed upon them at the market rate of interest. In seasons of pressure these are not so saleable as consols. Bank stock, India stock, and long annuities, not being readily convertible, are not generally good investments for bankers.

Some bankers avoid all Government stock, and give a preference to exchequer bills. They have some advantages. As the Government must pay the amount demanded in March or June, when they become due, there can be no loss beyond the amount of the premium at which they were purchased. A banker, too, can borrow money upon them quietly and secretly. A transfer of stock is always known, and, if for a large amount, will, when money is scarce, excite notice, and give the impression that the banker is compelled to realise some of his securities, to meet demands made upon him by his depositors. But a banker can hand his exchequer bills to a stock-broker, who will bring him the money, and the party who has

granted the loan will know nothing about the party for whom it was required. On the other hand there are some disadvantages. Almost every change in the market value of money affects the price of exchequer bills, and whenever money becomes abundant, the Government are very apt to reduce the rate of interest much below that which can be obtained from consols. But a greater objection is, that even in ordinary times, they are hardly saleable in large amounts. There are not now so many exchequer-bill jobbers as formerly, and hence these bills are not so readily saleable. On this account, the Bank of England, who were formerly large holders of exchequer bills, have changed their system, and are now holders of stock. The City bankers, too, prefer placing their money with the bill-brokers, to investing it in exchequer bills. But they are still a favourite mode of investment with bankers at the West-end.

East India bonds yield a higher interest than exchequer bills, and the interest cannot be reduced until after twelve months' notice from the East India Company. But they are by no means so saleable. Money, however, may generally be borrowed upon them; and the loans of the Bank of England are always announced to be granted on "exchequer bills, India bonds, and other approved securities."

Bonds of corporations, or of public companies, are by no means proper investments for a banker, except to a very moderate amount, and when they have a short time to run. They may, however, be taken as security for temporary advances to respectable customers.

Good commercial bills, of short dates, have this advantage over Government stock or exchequer bills, that a banker is sure to receive back the same amount of money which he advanced. He can calculate, too, upon the time the money will be received, and make his arrangements

accordingly. And if unexpectedly he should want the money sooner, the bills can, in ordinary times, be rediscounted in the money market. Another advantage is, that he is able to avail himself of any advance in the current rate of interest. He will get no higher dividend from his investment in Government stock, should money afterwards become ever so valuable. But with regard to bills, as they fall due he will receive a higher rate of discount with the new bills he may take, and thus, as the market rate of interest advances, his profits will increase.

The bankers of Lancashire usually keep the whole of their reserves in bills of exchange. If they have a "good bill case," that is, a large amount of good bills in their case, they think themselves prepared to meet any emergency. Their objection to Government securities is founded, first, upon the low rate of interest which they yield; and, secondly, the possibility of loss, from fluctuations in price. They contend, too, that good bills of exchange are more convertible than even exchequer bills; and, even if not convertible, the money comes back as the bills fall due, and thus the reserve is constantly replenished. The following evidence was given before the Committee on Banks of Issue, in the year 1841, by Mr. Paul Moon James, the Manager of the Manchester and Salford Bank:—

"Do you mean to say that no portion of the capital of your bank is invested in any other security than bills of exchange?—At the present time it is not. In the office, at all times, we have a larger amount than the liabilities of the bank in good bills of exchange. They are coming due every day, and are therefore considered a very eligible investment. It is advantageous to a bank when it is in a position to get those kind of bills.

"Do you consider that bills of exchange may safely be relied upon, as affording the means by which to obtain money whenever you want it?—After a very long experience, I consider that they may be safely relied upon; they have never failed.

"Did you never know them to fail?—I have known exchequer bills to fail, but I have never known bills of exchange to fail. I am alluding to the panic of 1825. I could not sell exchequer bills for several hours at that time.

"You could discount bills?—At that time money was obtained upon bills on the same day on which I could not get money for exchequer bills; and, having paid a high premium for exchequer bills, and met with great loss, I have rather an objection to hold them.

"Do you mean to say, that you recollect a day upon which you could obtain money upon bills of exchange, and could not obtain money upon exchequer bills?—I do."

Some of the Scotch bankers, too, seem to be favourable to investments in commercial bills. Mr. Anderson, the General Manager of the Union Bank of Scotland, gave the following evidence before the Committee on Banks of Issue, in 1841:—

"Do you consider, in fact, that the holding of a reserve in Government securities, gold, and Bank of England notes, independently of the ordinary daily operations of your business, is, or is not, essential to the perfect safety of a bank?—I do not think that it is quite essential that they should be Government securities. Available securities I should think quite essential, but then comes the question, What is available?

"Are you of opinion that bills of exchange are a proper description of reserve, to be held independently of the other species of reserves that have been mentioned?—I should think so.

"You think that bills of exchange may safely be relied upon at all times?—We have Mr. Gurney's authority for saying so.

"Is there no essential difference between keeping exchequer bills and stock, and keeping bills of exchange as reserves?—If the bills of exchange are perfectly well secured, I should think not, so far as the safety of the bank is concerned."

The authority of Mr. Samuel Gurney, from his high standing in the City, is so constantly referred to upon this subject, that we copy his evidence. It was given before the Committee on Joint-stock Banks, in the year 1836; previous, of course, to the passing of the Act of 1844.

"Would not the result from that opinion be, that a properly-conducted establishment, whether a private or a joint-stock bank, should have some Government securities or exchequer bills on which always to rely as a resource in a moment of such emergency?—Experience has shown that it is not needful; bills of exchange are quite as good a security to hold in time of difficulty as exchequer bills or stock; in most respects very much better.

"Cannot you conceive a state of things in the money market—a state of mercantile discredit, for instance—when it might be possible to procure money on Government securities when it could not be procured on private security in the shape of bills?—Such difficulty may possibly exist under very peculiar circumstances; but I repeat my opinion, that bills of exchange have proved themselves to be a better investment for bankers than stock or exchequer bills.

"It is quite intelligible why, in ordinary times, bills of exchange should be a preferable investment for money, inasmuch as there is no risk of loss by variation of premium in the purchase and resale; but would you wish the committee to suppose that in the case supposed by the question, of a great degree of mercantile discredit and doubt, an amount of exchequer bills would not be a more certain security on which to raise money than the bills of private merchants?—That is a difficult question to answer; I doubt it.

"Supposing a period of difficulty to arise, and two country bankers came up to London, one who could exhibit Government stock to the extent of 25,000*l.* and 25,000*l.* in bills of exchange, and the other banker exhibiting 50,000*l.* in bills of exchange only, which do you think would have the best means of procuring accommodation in the London market to pay his engagements?—My apprehension is, that they would both get their supplies upon any particular emergency: it is my judgment, that to a banker a good supply of bills of exchange of first-rate character is a better investment for his funds, for which he is liable to be called upon on demand, than exchequer bills or any Government security."

A London banker never considers as a part of his reserve the bills he has discounted for his customers. Nothing could damage his credit more than any attempt to rediscount these bills. During the war, the London bankers had discount accounts with the Bank of England; and during the panic of 1825, it is well known they discounted largely with that establishment. But since that period they have not done so, and their indorsements are

never seen in the money market. The practice is now more general of lodging money at call with the large money dealers. And it is in this way that the London bankers make provision for any sudden demand. It is rarely, however, that any large demand comes so suddenly as to occasion any inconvenience. And it may be observed that such bankers as are members of the Clearing-house have the whole day to make preparation,—one of the circumstances which enables them to lock up at night with a smaller amount of cash.

In the morning the banker looks at his "Cash-book," and observes the amount with which he "locked up" the preceding night. He then looks at the "Diary," which contains his receipts and payments for that day, as far as he is then advised. He then opens the letters, and notices the remittances they contain, and the payments he is instructed to make. He will learn from these items whether he "wants money," or has "money to spare." If he wants money, he will "take in" any loans that may be falling due that day, or he may "call in" any loans he may have out on demand, or he may go farther, and borrow money for a few days on stock or exchequer bills. Should he have money to spare, he will, peradventure, discount brokers' bills, or lodge money on demand with the bill-brokers, or lend it for fixed periods upon stock or exchequer bills. There are some bill-brokers who usually make their rounds every morning, first calling on the parties who supply them with bills, and then calling on the bankers who supply them with money. The stock-brokers, too, will call after "the market is open," to inform the banker how "things are going" on the Stock Exchange, what operations are taking place, and whether money is abundant or scarce "in the house;" also what rumours are afloat that are likely to affect the

price of the funds. It is thus that a banker regulates his investments, and finds employment for his surplus funds.

In our opinion, it is best for a banker not to adopt exclusively any one of the investments we have noticed, but to distribute his funds among them all. We have seen that practical bankers of high standing have been in favour of Government securities, as being at all times convertible. The objection on the part of others has been, that the value of these securities very much fluctuates, and as their realisation will be required only in seasons of pressure when the funds are low, it is sure to be attended with loss. On the other hand, it may be stated, with regard to "loans on demand," that the recent failures of bill-brokers have shown that the "demand" may not always be readily met. And with regard to "brokers' bills," the numerous failures among houses of the first standing have proved that great losses and most inconvenient "locks-up" may occasionally take place from such securities. Without condemning other modes of investment, we are strongly inclined to favour Government securities, though fully conscious of the losses they may occasionally produce. There is one consideration that must be taken into account: a bank that has large surplus funds, if it makes no investments in Government securities, will be strongly tempted to invest their funds elsewhere in other securities that may not be so convertible. It is true that more interest may for a time be obtained, but ultimately the bank may, though in a state of perfect solvency, be compelled to stop payment from being unable to realise its investments.

Another advantage of a large investment in Government securities is, that the bank, by the publication of its balance sheet, has always the means of showing to its

depositors that a large portion of its deposits is at all times amply secured. The Bank of England states the amount of their "Government securities" distinct from the "other securities." It may so be that the "other securities" are as good as the Government securities, and perhaps more profitable, but the public do not know that to be the case; and were all the investments in "other securities," they might not feel the same degree of confidence as to the prompt repayment of their deposits. The same principle applies to other banks. And it may reasonably be supposed that between two banks in similar circumstances as to other respects, depositors would rather lodge their money in a bank which had a large amount of Government securities than in one which had none.

As we have referred in this Section to some of the operations of the Stock Exchange, this may be a proper place to discuss the nature of these transactions, so far, at least, as concerns bankers.

The reader is of course aware that the "Stocks," or the "Funds," or by whatever other name they may be called, are debts due from the nation to those persons whose names are entered on the bank books. The man who holds 100*l.* consols is a creditor to the nation for 100*l.*, for which he receives 3*l.* per annum; and the price of consols is the amount of the money for which he is willing to transfer this debt from himself to another person. Now, if this man knows another who is willing to give him, say 90*l.* for this 100*l.* consols, they can go to the bank, and the sellers being properly identified, will transfer this 100*l.* consols into the name of the person to whom he has sold it. His account is then closed in the bank books, and a new account is open in the name of the buyer; for every holder of stock has an account in the bank ledger, in the same way as bankers and merchants open

ledger accounts for their customers. The seller of the stock will also give a receipt to the buyer for the money in the following form :—

Consolidated £3 *per Cent. Annuities*_____

Dividends due Jan. 5th, July 5th, and are usually paid a few days after.

Transfer Days: Tuesday, Wednesday, Thursday, Friday.

Holidays excepted.

RECEIVED this day of 184 of

the sum of

being the Consideration for

Interest or Share in the Joint Stock of *Three per Cent. Annuities*, erected by an Act of Parliament of the 25th Year of the Reign of King GEORGE II. entitled, *An Act for converting the several Annuities, therein mentioned, into several Joint Stocks of Annuities, transferable at the* BANK of ENGLAND, *to be charged on the Sinking Fund; and by several subsequent Acts*, together with the Proportional Annuity at £3 *per Cent. per Annum*, attending the same, by this Day transferred to the said

Witness Hand

Witness

☞ The Proprietors, to protect themselves from FRAUD, are recommended to ACCEPT by themselves or their Attorneys, all TRANSFERS made to them.

£ *s.* *d.*

*

But parties do not usually treat with each other in this way. A broker is employed either to buy or sell, as the case may be. The stock-brokers are an association consisting of about 600 persons, who meet together in a building in Capel-court, Bartholomew-lane, close to the

Bank. Each broker before admission must find three securities for 300*l.* each, which sum is applied to meet any claims the other members of the "House" may have upon him during the first two years. The suretyship then ceases. The subscription paid by each member is ten guineas per annum. The House is governed by a Committee of thirty persons chosen from the members.

But, although all the "members of the House" are called stock-brokers by the public, yet within the House they are divided into two classes, brokers and jobbers. A broker, as the name implies, is an agent who buys or sells for his customers out of the House, and he charges them a commission upon the amount of the stock. A stock-jobber is a stock merchant; but he does not deal with the public: he deals only with the brokers; and he is at all times ready either to buy or to sell. The price at which he sells is $\frac{1}{8}$ more than the price at which he buys. If one broker has an order from his customer to buy 100*l.* consols, and another broker has an order to sell 100*l.* consols, these two brokers do not deal together, but both go to a jobber. One will sell his consols to the jobber, say at 90, and the other will buy his consols from the jobber at $90\frac{1}{8}$. Hence the difference between the buying and the selling price of consols is always $\frac{1}{8}$, and thus in the newspapers the price is quoted in this way, 90 to $90\frac{1}{8}$.

A banker is, of course, one of the public, and when he wants to buy or to sell stock, he gives instructions to his broker, and the process is as we have now described.

Were there no jobbers, a broker would not easily find at all times another broker who had occasion to sell the same amount of stock which he wished to buy, and he would have a difficulty in buying or selling small amounts. But

there is no difficulty with the jobbers. The jobbers will not only buy and sell stock on the same day, but they will buy stock on one day, and agree to sell it at a future day, or *vice versâ*. These future days are called the settling days, being the days on which the members of the House settle their accounts. They are fixed by the Committee of the Stock Exchange, and they now occur about once a month. Now, if a banker wants a sum of money for a short time, either to pay off a deposit, or to make an advance to a customer, he will direct his stock-broker to sell, say 50,000*l*. consols "for money," and buy them "for time;" that is, against the next "settling day," or, as it is sometimes called, the next "account day." On the other hand, if a banker has money he wishes to employ for a short time, he will reverse the operation, and desire his broker to buy consols for money and sell them for time. He thus gets interest for his money, according to the difference of price between consols for time and consols for money. Generally, the price for time is higher than the price for money; and the difference between these two prices is called the "Continuation." Supposing that the next settling day is a month distant, and the continuation is one-eighth per cent. that amounts to twelve-eighths, or three per cent. per annum. The continuation will vary according to the near approach of the settling day—according to the abundance of money, and the market rate of interest—and according to the abundance or scarcity of stock. The last cause is not so readily understood by the public, and we will therefore explain it. The stock-jobbers, as we have said, are stock merchants. Of course they are large holders of stock; it is their capital, on which they trade. But however large may be the sum they hold, they often agree to sell on the next settling

day a much larger sum, expecting that in the mean time they shall buy a large sum, and thus be able to set off one against the other. But sometimes, as the settling day approaches, they find this is not the case, and they are consequently under an engagement to "deliver"—that is, sell—more stock than they hold. What can they do now? They will try to get stock from those who have it, by agreeing to buy it of them *now*, and selling it at the ensuing account day, a month hence, at the same price; thus abolishing "the continuation." When that is the case, a banker's broker will go to the banker and say, "If you like to lend your consols, you can get money for nothing till the next account day." The banker replies, "Well, I don't know that I can make much interest of the money just now; but, as I can lose nothing, you may lend them." Thus the jobbers get their stock, and complete their engagements. But sometimes the jobbers are obliged to go farther, and even to offer a premium to parties who will lend their consols. This premium is called "Backadation;" it is just the reverse of "continuation," and implies that the time price of stock is less than the money price.

We have thus described the legitimate operations of the Stock Exchange, so far as it may be necessary to explain the transactions of bankers in the employment of their surplus funds. Those operations called "Gambling in the Funds," and the mode in which the brokers and jobbers settle their accounts, we shall endeavour to describe when we come to speak of the Clearing-house. We will only add here the name and amount of each of the Government stocks and annuities, as they stood on the 5th January, 1848.

Capital Stock of the Unredeemed Debt of the United Kingdom, on 5th January, 1848.

Great Britain.

		£	s.	d.
Debt due to the South Sea Company,	at 3 per cent.	3,662,784	8	6½
Old South Sea Annuities,	ditto	3,195,160	17	9
New South Sea Annuities,	ditto	2,195,867	16	9
South Sea Annuities, 1751,	ditto	500,780	11	9
Debt due to the Bank of England,	ditto	11,015,100	0	0
Bank Annuities, 1726,	ditto	750,404	18	6
Consolidated Annuities,	ditto	371,824,981	15	11¼
Reduced Annuities,	ditto	121,924,219	8	7
	Total at 3 per cent.	515,069,299	17	9¾
Annuities at 3¼ per cent.		215,700,549	5	1
New 5 per cent. Annuities		430,076	3	2
	Total, Great Britain	731,199,925	6	0¾

Ireland.

Irish Consolidated Annuities,	at 3 per cent.....	6,194,874	15	2
Irish Reduced Annuities,	ditto	128,295	16	9
Annuities at 3¼ per cent.		32,244,312	10	9
Debt due to the Bank of Ireland,	at 3½ per cent...	2,630,769	4	8
New 5 per cent. Annuities		3,673	11	2
	Total, United Kingdom...	£772,401,851	4	6¾

The Annual Charge on the National Debt was then as follows:—

	Great Britain. £	s.	d.	Ireland. £	s.	d.
Interest on unredeemed debt	22,483,850	13	1¼	1,329,895	17	6
Annuities of all kinds falling due	3,685,696	6	5	160,394	2	1
	26,169,546	19	6¼	1,490,289	19	7
Management	93,826	11	10	—		
Total	26,263,373	11	4¼	1,490,289	19	7
	Grand Total.....			£27,753,663	10	11¼

This is exclusive of 71,971*l.* 2*s.* 9¾*d.* the annual charge on stock and annuities of various kinds, standing in the names of the Commissioners, on account of stock unclaimed for ten years and upwards, and of unclaimed dividends, and also on account of donations and bequests, but which sum is not paid or provided for.

SECTION VII.

THE ADMINISTRATION OF A BANK DURING A SEASON OF PRESSURE.

A PRESSURE on the money market may be defined a difficulty of getting money in the London market, either by way of discounting bills, or of loans upon Government securities. This difficulty is usually accompanied by an unfavourable course of exchange, a contraction of the circulation of the Bank of England, and a high rate of interest. These three circumstances have the relation to each other of cause and effect. The unfavourable course of exchange induces the Bank of England to contract her circulation; and the contraction of the circulation, by rendering money more scarce, increases its value, and leads to an advanced rate of interest. The removal of the pressure is in the same order—the foreign exchanges become favourable—the Bank of England then extends her circulation—money becomes more abundant, and the rate of interest falls. The degree to which the exchanges are unfavourable is indicated by the stock of gold in the Bank of England; and when this is at its lowest amount the pressure may be considered to have attained its extreme point; for as the amount of gold increases, the bank will extend her circulation, and the pressure will subside.*

* An Inquiry into the Causes of the Pressure on the Money Market during the year 1839, by J. W. Gilbart.

If we take a review of all the recent pressures on the money market, we shall find they have always been preceded by the following circumstances:—First, by abundance of money; secondly, by a low rate of interest; thirdly, by some species of speculative investments. The principal pressures that have occurred of late years, have been those of 1825, 1836, 1839, and 1847.

The following is Mr. Horsley Palmer's opinion of the causes of the pressure of 1825, as stated to the Bank Committee of 1832:—

"Will you state to the committee what, in your opinion, was the nature and the march of the crisis in 1825?—I have always considered that the first step towards the excitement was the reduction of the interest upon the Government securities; the first movement in that respect was, I think, upon 135,000,000*l.* of five per cents. which took place in 1823. In the subsequent year, 1824, followed the reduction of 80,000,000*l.* of four per cents. I have always considered that reduction of interests, one-fifth in one case, and one-eighth in the other, to have created the feverish feeling in the minds of the public at large, which prompted almost everybody to entertain any proposition for investment, however absurd, which was tendered. The excitement of that period was further promoted by the acknowledgment of South American republics by this country, and the inducements held out for engaging in mining operations, and loans to those governments, in which all classes of the community in England seem to have partaken almost simultaneously. With those speculations arose general speculation in commercial produce, which had an effect of disturbing the relative values between this and other countries, and creating an unfavourable foreign exchange, which continued from October 1824 to November 1825, causing a very considerable export of bullion from the bank—about seven millions and a half. Commercial speculations had induced some bankers, one particularly, to invest money in securities not strictly convertible, to a larger extent than was prudent; they were also largely connected with country bankers. I allude to the house of Messrs. Pole and Co.: a house originally possessed of very great property, in the persons of the partners, but which fell with the circumstances of the times. The failure of that banking-house was the first decisive check to commercial and banking credit, and brought at once a vast number of country bankers, which were in correspondence with it, into difficulties. That discredit was followed by a general discredit throughout London and the interior."
—P. 47.

With regard to the pressure of 1836, there was in the beginning of that year no appearance of distress. But on the contrary, every symptom of prosperity, attended by its usual concomitant—a readiness to engage in speculative undertakings.

The following description of this period is taken from the speech of Mr. Clay, on introducing his motion respecting Joint-stock Banks, May 12, 1836 :—

"To what extent the operations 'of the joint-stock banks may have contributed to create the present state of excitement in the commercial world, must, of course, be mere matter of conjecture. That they have had some considerable influence is probable, from the fact that the excitement and rage for speculation is greatest in those parts of the kingdom, where the operations of those establishments have been most active. London has been comparatively unmoved, but Liverpool and Manchester have witnessed a mushroom growth of schemes not exceeded by the memorable year 1825. I hold in my hand a list of seventy contemplated companies for every species of undertaking, which have appeared in the Liverpool and Manchester papers within the last three months. This list was made a fortnight or three weeks since, and might probably now be considerably extended. It is impossible also, I think, not to suspect that the facility of credit, and consequent encouragement to speculation, to which I have alluded, cannot have been without its effect in producing the great increase of price in almost all the chief articles of consumption and raw materials of our manufactures. That increase has been enormous—not less than from twenty to fifty, and even one hundred per cent. in many of the chief articles of produce, of consumption, and materials of our manufactures."

These appearances continued with little alteration until the month of July, when the Bank of England raised the rate of discount to four-and-a-half per cent. It then became known that there had been a demand upon the bank for gold from the preceding April, and this measure was adopted by the bank as a means of rendering the foreign exchanges more favourable. This being found ineffectual, the bank in September raised the rate of discount to five per cent. Besides raising the rate of interest, the bank adopted other measures of increasing the

value of money. A large amount of American bills upon first-rate houses had been offered for discount and rejected. A high degree of alarm was immediately spread throughout the community. The dread of a panic similar to that of 1825 almost universally prevailed. Those who had money were unwilling to part with it—trade became suddenly stagnant—the prices of all commodities fell considerably, and numbers of commercial houses, chiefly of the second class, suspended payment. Many railway and other projects now fell into oblivion.

The alarm that existed was kept up by the monthly accounts of the bullion in the Bank of England. The public returns showed a gradual decline from April, 1836, to February, 1837. It was therefore supposed, that the Bank of England would be under the necessity, for her own safety, of still further contracting her issues, and thus increasing the existing pressure. This apprehension caused all persons who had money, to retain it in their possession, and bankers and others withheld accommodation they would otherwise have been disposed to grant.

This state of alarm was considerably augmented by the publication of the Report of the Secret Committee of the House of Commons upon Joint-stock Banks. This committee had been appointed on the motion of Mr. Clay, the Member for the Tower Hamlets, whose speech on the occasion might be termed a bill of indictment. The joint-stock banks had rapidly increased; they had issued small shares; they had large nominal capitals; they had circulated an excessive amount of notes; they had promoted speculation. These were the charges brought against them; and they had greater weight from being advanced by a member who was known to be friendly to joint-stock banking. The report of the committee appeared to sustain all Mr. Clay's accusations. This report

was highly creditable to the talents and industry of the committee, but marked by a decided hostility of tone. While it enumerated all the actual or possible imperfections of the joint-stock banks, it ascribed to them scarcely a single excellence. At the same time, the committee deferred to the succeeding session, the proposal of any measures for their improvement; thus the public were led to suppose, that in the following session some astringent measures would be adopted with reference to joint-stock banks, but what they would be none could conjecture.

Had the report appeared at any other period it might possibly have done good; but as its appearance was contemporaneous with a pressure on the money market, and a high state of alarm, it unquestionably tended to weaken public confidence, at a time when it required to be strengthened. Persons who were unfriendly to joint-stock banks, seized the opportunity of dispraising them, and believed, or pretended to believe, that the banks were unsound, and would certainly stop payment. Others, who were friendly, were apprehensive that the banks being still in their infancy, would be found too weak to withstand the storm now raised against them. But though this alarm began with respect to joint-stock banks, it did not end there. It was soon foreseen that if a few joint-stock banks were to stop payment, the private banks in their neighbourhood would be put to a severe trial; and if the banks should even be compelled to withhold their usual advances to their customers, the credit of individuals must suffer. Hence the private bankers and the merchants, as well as the joint-stock banks, made preparations to meet any event that might occur, and by thus increasing the pressure on the London money market, occasioned still farther apprehensions.

The alarm was augmented by the stoppage of the Agricultural and Commercial Bank of Ireland, in the month of November, and the demand for gold which that stoppage occasioned in Ireland. The joint-stock banks of England now became subject to increased suspicion; the accommodation they had been accustomed to obtain by the re-discount of their bills in the London market was considerably restricted; and in the beginning of December, the Northern and Central Bank at Manchester, a bank having a paid-up capital of 800,000*l.* with above 1200 partners, and forty branches, applied for assistance to the Bank of England. This was afforded upon condition, in the first instance, that they should wind up all their branches except that at Liverpool; and afterwards further assistance was granted, upon condition they should discontinue business after February, 1837. Soon afterwards, the old and respectable London banking-house of Messrs. Esdaile & Co. received assistance upon similar terms.

The pressure which existed in England rapidly extended to America. A large amount of American securities, consisting chiefly of bonds of the respective States, had been remitted to the agency houses in England. This circumstance, in connexion with the exportation of gold to America, attracted the notice of the Bank of England. A large amount of bills drawn from America upon first-rate London houses was rejected. In America the pressure became severe—money was wanted to remit to England to meet the drafts that had been drawn upon England, either upon credit or against securities that could not now be sold. The rate of discount at New York rose to two, and even to three per cent. per month.

From the pressure upon the money market, and from the great fall in the price of American produce, the cotton

and other commodities sent from America to meet drafts upon the English agents, could not be sold except at a ruinous loss. And other remittances not having arrived, several houses in the American trade, who were said to have given extensive credit to parties in America, applied for assistance to the Bank of England.*

Such was the character of the pressure of 1836; we next proceed to the pressure of 1839. The pressure of 1836 may be said to have commenced from the month of May in that year. From that month the stock of gold in the bank gradually and uniformly declined until February, 1837, when it reached its lowest point of depression. From this point, it uniformly advanced: the lowest point of the circulation was in December, 1836, though even then it was not lower than it had been in the preceding January. The bank raised the rate of interest from 4 to 4½ per cent. in July, and to 5 per cent. in the following September. During the whole of the year 1837, the amount of gold in the Bank of England continued to increase; the bank extended her circulation, and after the payment of the July dividends, money became very abundant, and the market rate of interest experienced a considerable fall. The foreign exchanges continued to be favourable during the early part of 1838, and gold accumulated in the coffers of the Bank of England. In the spring of that year the directors of the Bank of England sent nearly a million of gold to America. Money became increasingly abundant, and the rate of interest fell. In February the bank reduced their rate of discount to 4 per cent., and the interest on the loans

* The History of Banking in America; with an Inquiry how far the Banking Institutions of America are adapted to this country; with a Review of the Causes of the recent Pressure on the Money Market. By J. W. Gilbart. 1837.

granted during the shutting of the funds was reduced in March to 3½ per cent. The low rate of interest caused large sums of money to be invested in American securities. Bonds of all kinds issued by the bank of the United States, by the various states in the Union, and by numerous private undertakings, were poured upon the English market, and found eager purchasers. Several of the directors of the Bank of England, in their individual character as merchants, became agents for the distribution of these securities. About July the exchanges became unfavourable, and in the latter part of the year some symptoms of uneasiness were apparent in the money market; but as the stock of bullion in the Bank of England was considerable, and the directors granted their usual loans in December at 3½ per cent., public confidence was not shaken. In the beginning of the year 1839 the exchanges became increasingly unfavourable, and the monthly returns of the bank showed a gradual diminution in the stock of gold. The price of corn rose so high as to admit of foreign wheat at the lowest rate of duty. This occasioned a further demand for gold to be exported. The stock of gold in the Bank of England rapidly declined, until, in the month of October, it was no more than 2,525,000*l.*, while the liabilities of the bank upon notes amounted to 17,612,000*l.*, and upon deposits to 6,734,000*l.* The bank directors were very anxious to stop this demand for gold. With this view, they raised the rate of interest on May 16th to 5 per cent., on June 20th to 5½ per cent., and on August 1st to 6 per cent.; and they charged the same rate upon their short loans. They are supposed to have sold large amounts of government stock and exchequer bills, and on July 13th they announced that they were ready to receive proposals for the sale of the dead weight. None of the offers, however, met their

approbation. Finding these measures not speedily effective, an arrangement was made with the Bank of France for a loan of 2,500,000*l.* Messrs. Baring & Co. drew bills on account of the Bank of England upon houses in Paris for this amount, which the Bank of France undertook to discount. The directors also determined to refuse to discount any bills drawn or indorsed by any private or joint-stock bank of issue. Notwithstanding these measures, the stock of gold in the bank continued to decrease until the 18th October, when it reached the lowest point of depression. From this point it continued to advance, and the pressure began gradually, but slowly, to subside.

It may be useful to notice the differences between the pressure of 1836 and that of 1839. If we measure the intensity of the pressure by the difference between the largest and the lowest stock of gold in the Bank of England, the former pressure will range from 7,801,000*l.* to 4,032,000*l.*, and the latter from 10,126,000*l.* to 2,525,000*l.* In the pressure of 1836, one joint-stock bank, a London private bank, two country private banks, three large American agency houses, and a great many respectable merchants, stopped payment. In the pressure of 1839, there was scarcely a failure until the month of December, and then only among the second class of traders.—In the pressure of 1836, the prices of nearly all commodities fell considerably, and almost immediately. In the pressure of 1839, the prices of most commodities remained for a length of time nearly the same.—In 1836, the Bank of England did not raise their rate of interest above 5 per cent. In 1839, the rate of interest upon both discounts and loans was raised to 6 per cent.—In 1839, the bank gave notice that they were willing to sell the dead weight, and they made arrangements for borrow-

ing 2,500,000*l.* sterling from the Bank of France. In 1836, the bank adopted neither of these measures.—In 1836, the Bank of England rejected all bills drawn or indorsed by joint-stock banks of issue. In 1839, they rejected also all bills drawn and indorsed by private banks of issue.*

The consideration of the pressure of the year 1847 we shall postpone to the next section of our work.

From the statements we have made, it would appear that a season of pressure is always preceded by one of speculation; and hence it follows that a banker who wishes to be easy in a time of pressure must act wisely in the previous season of speculation. It requires no ordinary firmness to do this. To act wisely in a season of speculation, is far more difficult than to act wisely in one of pressure. But unless a banker acts wisely in the previous time of speculation, his wisdom will probably be of little avail when the pressure arrives.

While, therefore, money is still abundant, the public funds high, and other bankers liberal in accommodation, he should be doubly cautious against taking bills of a doubtful character, or making advances upon irregular securities. He should not suffer the desire of employing his funds, or the fear of offending his customers, to induce him to deviate from sound banking principles. He should also take this opportunity of calling up all dead or doubtful loans, and of getting rid of all weak customers. He should also, under any circumstances, avoid making advances for any length of time, and investments in securities that are not at all times convertible, or the price of which is likely to sustain a great fall on the occurrence of a pressure. The discount of first-rate commercial bills having a short time to run, or short

* An Inquiry into the Causes of the Pressure of 1839.

loans on stock or other undeniable security, however low the interest received, seem to be the most safe and advantageous transactions.

When the aspect of affairs seems to threaten that money will be still more in demand, and the failure of a number of merchants and traders may consequently be apprehended, it behoves him to prepare for approaching events by avoiding all discounts of bills of an inferior class, and by keeping his funds in an available state. With a view to these objects, he will review all his loan and discount accounts, call up his loans of long standing, where it can be done without injury to the interest or reputation of his bank, avoid all overdrawn accounts, and reduce the amount of discounts to the inferior class of accounts. In performing these operations, he will exercise due judgment and discretion, making proper distinctions between his customers, and reducing chiefly those bills which are of an unbusiness character, or which are drawn upon doubtful people, or upon parties that he knows nothing about; he will also mark particularly those accounts which require large discounts, but keep no corresponding balance to the credit of their current accounts.

As the pressure advances, he will find that there are three demands upon his funds. First, his customers will reduce their balances, and keep less money in his hands. Money lodged at interest will be taken away, because the parties can make higher interest elsewhere, or they will be tempted by the low price of stock to invest it in Government securities. Secondly, he will have a greater demand for loans and discounts, not merely from weak people whom he might not care about refusing, but from persons of known wealth, whom it is his interest and his inclination to oblige. Thirdly, he will think it prudent

to guard against sudden demands by keeping a larger amount of bank notes in his till. To meet all these demands he will be compelled to realise some of his securities, and he will realise those first on which he will sustain no loss.

If a banker has money lying at demand with a bill-broker, he will now have occasion to call it in. If he has money lent at short periods at the Stock Exchange, he will, as he has occasion, take in the money as the loans fall due. If he has discounted brokers' bills, he will receive the amounts when due, and discount no more. Should these operations not be sufficient to meet the demands upon his funds, he will then sell his stock or exchequer bills, or borrow on them in the money market. A country banker who has kept his reserve in bills of exchange will be anxious to re-discount them, and will think himself lucky if he can do so readily and at a moderate rate of interest.

It will be useless for a banker to attempt to call up dead loans, or to reduce his discounts, after the pressure has commenced. He should have thought of these matters in the previous season of abundance. As he cannot get in any outstanding advances, he had better not ask for them, but merely charge the parties an increased rate of interest. If he demand the money, he will not get it, and he may give rise to a surmise that he is short of funds. This season of pressure is, however, a good opportunity for calling up advances, or getting rid of connexions that he would, on other grounds, like to be without. The "scarcity of money," the "pressure on the money market," are capital reasons to assign for refusing applications which, even otherwise, he would refuse, and for calling up loans which, under any circumstances, he would like to see repaid.

During a pressure a banker will have to give a great many refusals, and some discretion will be necessary in the form of giving these refusals. Let him refuse in what way he may at such a season, he will be sure to give offence. And the party refused will possibly publish the refusal, and, from motives of ignorance or malignity, represent the refusal as having arisen from want of means, and possibly may circulate a report that the banker is about to stop payment. Hence rumours about banks are always rife in seasons of pressure, and they add to the general want of confidence which then prevails.

During a pressure, a banker will have offers of new accounts to be transferred from other bankers, provided he will consent to make certain advances. Some caution must be exercised in this matter. It is quite possible that some perfectly safe parties, having large accounts, may be disposed to remove in consequence of their present bankers not being equal to the supply of their wants. In this case, the banker will be regulated by the value of the proposed account and the extent of his own means. On the other hand, it is equally possible that weak people, to whom their present bank might not, in any case, have given advances, may use the "scarcity of money" as a pretext for making application to a new banker, stating their belief that their old banker was unable to meet their requirements. It behoves a banker to use much discretion in such a case, especially if it be a large account. If he errs at all, he should err on the side of caution.

It will rarely be wise for a banker in a season of pressure to attempt to get away the customers of other bankers by offering them greater accommodation. The best way of getting new connexions is to treat well those that he has. It is better for a banker to employ his

funds in supporting his old friends than in attempting to get new ones. If his funds are so ample that he can do both without inconvenience, very well. But caution is necessary in taking new accounts at this time, and he should be doubly cautious in making applications to parties. Unless he has the most ample and satisfactory information as to their circumstances, he had better wait until they apply to him. It would then devolve upon them to satisfy him that he would be justified in making the advances required.

During the pressure, a banker will find that some of his wealthier customers, who, when money was abundant, took their bills to be discounted by a bill-broker, because he would cash them at a lower rate, will come back, and expect to have discounts from their banker. This is no fault of the bill-brokers. People put money in their hands avowedly for temporary purposes. In seasons of abundance the bill-brokers are glutted with money. When the pressure commences this money is withdrawn. The consequence is, that in seasons of abundance the bill-brokers will discount at a lower rate than the bankers, and when money is scarce they discount at a higher rate, and in many cases not discount at all. Sharp-sighted people, who are acquainted with the London money markets, will, when money is abundant, take all their first-rate bills to a bill-broker, and send to their banker all their inferior bills, which a bill-broker would not take. Now, if a banker has occasion to curtail his advances in seasons of pressure, he should begin with people of this sort. But if he has ample means, and the parties are wealthy, he may deem it worth his while to take their bills, charging a high rate of interest, and gently reminding them of their former delinquencies. Exhortations to good behaviour have always a greater effect when administered

in seasons of affliction. And reproof at this time to a party who had thus wandered, may induce him to pursue in future a more righteous line of conduct.

During a pressure, a banker will find that some of his customers will get into difficulties, and will apply to him for assistance. He will often be at a loss to decide whether he should or should not grant the assistance required. This hesitation will arise from his doubts as to the extent to which he can prudently rely upon the calculations and anticipations of his customer. The party states that he must immediately stop payment unless he has assistance; but he has abundance of property, and his difficulties arise only from not being able to realise it. If he has a certain sum he can then go on comfortably. The banker grants him this sum. After a while, he comes again, and states he must now stop unless he has a farther sum. The banker hesitates, but ultimately gives him this farther sum. He comes a third time, and states he has not yet got enough; and not being able to get more, he then stops, leaving the banker at best with a large lock-up, and probably with an ultimate loss.

During a pressure, those banks that allow interest on deposits will be asked for a higher rate of interest. It is quite right that those parties who have had deposits at the bank for some time, should receive a higher rate of interest, proportionate to the increased value of money. But it may be questioned whether it is worth while to receive further lodgments, during a pressure, at a high rate of interest, unless they are lodged for a fixed period. For, should the pressure increase, these sums are sure to be withdrawn, or else applications will be made for a higher rate of interest than the banker can prudently give. Nor must it be forgotten that it is not wise for a banker to give, during a panic, an extravagant rate of interest.

Should he do so, he will give rise to an opinion that he is short of funds, and this may cause more deposits to be withdrawn than he would obtain from his high rate of interest.

During a pressure, a banker will pay considerable attention to the published returns of the Bank of England. The increase or diminution of the gold and silver in the issuing department, will show the progress of the pressure. As these increase, money will become less scarce, the rate of interest will fall, and the pressure will subside. In this department, it is the progress of increase, or diminution, more than the actual amount, that should be the main object of attention. The banking department resembles any other bank. Its means are the paid-up capital—the real or surplus fund—the public deposits—the private deposits, and the seven-day bills. These means are employed in public securities, private securities, and cash in the till. Its ability to make advances, at any given time, depends on the amount of cash in the till. The diminution of this amount shows the increase of the pressure, and the banker will act accordingly.

As far as past experience goes, all panics or pressures have resulted in a subsequent abundance of money. It would be a grand thing for a banker if he could know beforehand at what precise point this change would take place. But this he cannot know, and he had better not speculate on the subject, but just follow the course of events as they occur. When, however, the point is fairly turned, he will act wisely in investing all his surplus funds in such convertible securities as are likely to advance in price, from the increasing low rate of interest. Exchequer bills are most likely to be the first affected, and then the public funds. He will, also, be more liberal in granting discounts, and other advances, and he will lower the rate of interest at which he takes deposits. At the

same time, he will be cautious in the bills he discounts. For, though money may be abundant, yet trade may be depressed, and the effects of the previous panic may be the failure of a great number of persons in the middle class of society. The banker will therefore be cautious in extending his discounts, except on bills of an undoubted character.

We will observe, lastly, that, in a season of pressure, it is peculiarly necessary that a banker should pay regard to the state of his own health, and to the discipline of his own mind, so as to guard against any morbid or gloomy apprehensions with regard to the future. He should attempt to form a cool and dispassionate judgment as to the result of passing events; endeavouring so to arrange his own affairs as to be prepared for whatever may occur, but taking care not to increase the present evil by predicting greater calamities. If he suffer a feeling of despondency to get the mastery of his mind, he will be less able to cope with the difficulties of his position. He will then, probably, refuse reasonable assistance to even first-rate customers, realise securities unnecessarily at a heavy sacrifice, and keep in his till an amount of unemployed treasure excessively disproportionate to the extent of his liabilities. This will increase the pressure. Fear, too, is always contagious. A banker of this melancholy temperament will impart his apprehensions to others, and thus the panic will become more widely extended.

SECTION VIII.

THE ADMINISTRATION OF A BANK UNDER THE ACT OF 1844.

IT would not be consistent with the practical character of this work to discuss, at great length, any theory of the currency. But the Act of 1844, though founded on a theory, was a practical measure, and has so important a bearing on the administration of banking affairs, that our work would be regarded as incomplete were the subject altogether omitted. We shall, however, endeavour to avoid any observations on its theory, and confine our remarks, as much as we can, to the operation of its practical enactments. In this part of our work it will be necessary to consider only those provisions of the Act which refer to the issue of notes by the Bank of England: those which refer to the country circulation will more properly come under review in the section upon Country Banks. It may also be proper to remark, that, in our judgment, the Act of 1819 has no necessary connexion with the Act of 1844; nor would there be any inconsistency in advocating the one and not advocating the other.*

* Commons, 3409.

"The Act of 1844" is the 7 & 8 Vict. cap. 32, and is entitled, "An Act to Regulate the Issue of Bank Notes, and for giving to the Governor and Company of the Bank of England certain privileges for a limited period." It enacts that from and after the 31st August, 1844, the Issue department of the Bank of England shall be separated from the Banking department — that the issuing department may issue notes to the extent of 14,000,000*l.* upon securities set apart for that purpose, of which the debt of 11,015,100*l.* due from the Government to the bank shall form a part—that no amount of notes above 14,000,000*l.* shall be issued, except against gold coin, or gold or silver bullion; and that the silver bullion shall not exceed one-fourth the amount of gold coin and bullion. Any person is entitled to demand notes from the issuing department, in exchange for gold bullion, at the rate of 3*l.* 17*s.* 9*d.* per ounce. Should any banker discontinue his issue of notes, the Bank of England may, upon application, be empowered by an Order of Council to increase her issue upon securities to the extent of two-thirds of the issue thus withdrawn; but all the profit of this increased issue must go to the Government.

The theory on which this Act was founded had, for several years previously, been brought before the public in pamphlets written by men of distinguished talent. Upon some of these pamphlets we wrote a critique, which appeared in the "Westminster Review" of January 1841. That article was afterwards published separately, under the title of "Currency and Banking: a Review of some of the Principles and Plans that have recently engaged public attention, with reference to the administration of the Currency." In this review we made the following observations on the plan then proposed, and subsequently carried out in the Act of 1844:—

"*The plan of making the amount of the circulation fluctuate in exact correspondence with the amount of gold in the Bank of England.*

"This plan is thus open to the following objections:—

"1. Upon this plan there must be a perpetual increase and diminution in the stock of gold; consequently, a perpetual increase and diminution in the amount of the currency. The increase in the amount of the currency would raise prices and stimulate speculation. The diminution in the amount of the currency would reduce prices and produce distress. And thus there must be a constant alternation from high prices to low prices, and again from low prices to high prices—from speculation to distress, and from distress to speculation.

"2. But depression of prices, and their attendant miseries, may not be experienced only when the foreign exchanges are unfavourable. Excessive caution, an apprehension of war, or political feeling, may cause a domestic demand for gold, and this would cause for a while a contraction of the currency as severe as that which would arise from an unfavourable exchange; and, as the bank directors would have no discretionary power, but would be required 'to adhere to principle,' by giving gold for notes, or notes for gold, they could do nothing to assuage these calamities. According to Mr. Loyd,* a drain, from whatever cause it may arise, must be met by a contraction of the currency. Mr. Palmer, in laying down his rule, put in a saving clause—'except under special circumstances,' but Mr. Loyd makes no exceptions.

"3. To carry this system into operation, would require a separation of the issuing department from the other departments of the business of the bank, and this would cause still further inconveniences. The management of the issuing department would be exceedingly simple. The office of the directors would be a complete sinecure, and, for anything they would have to do, their places might be as well supplied by four-and-twenty broomsticks. A few cashiers to exchange gold for notes, or notes for gold, would be all the establishment required; and, could Mr. Babbage be induced to construct a 'self-acting' machine to perform these operations, the whole business of the currency department might be carried on without human agency. But the deposit department would require more attention. 'It is in the nature of banking business,' says Mr. Loyd, 'that the amount of its deposits should vary with a variety of

* I wish I could have made this quotation without introducing the names. It would greatly assist our inquiries after truth, and lead to the formation of an independent judgment, if we could engage in discussions of this kind without any reference to those talented men who may have distinguished themselves as either the advocates or the opponents of the doctrines we investigate.

circumstances; and, as the amount of deposits varies, the amount of that in which those deposits are invested (viz. the securities) must vary also. It is, therefore, quite absurd to talk of the bank, in its character of a banking concern, keeping the amount of its securities invariable.' As, therefore, the deposits might vary, the bank would be a buyer or a seller of Government securities; and, as these variations are sometimes to a very large amount, the fluctuations in the price of the public funds, and of exchequer bills, would be very considerable. Thus the property of those who held these securities would be always changing in value. Again, the deposits would be withdrawn chiefly in seasons of pressure, and the bank would then be compelled to sell her securities. But suppose the scarcity of money should be so great that the securities would be unsaleable even at a reduced price, how then could the bank pay off her deposits?

"4. If the currency were administered upon this principle, the bank would be unable to grant assistance to the commercial and manufacturing classes in seasons of calamity.

"Mr. Loyd exclaims, 'Let not the borrowers of money, Government and commerce, approach, with their dangerous and seductive influences, the creator of money.' But, with all deference to Mr. Loyd, we contend that it is the province of a bank to afford assistance to trade and commerce in seasons of pressure. Mr. Loyd, as a practical banker, would no doubt afford assistance to his own customers in such seasons; and, if this be the province and duty of a private banker, the duty is more imperative on a public banking company, and more imperative still on a bank invested by the legislature with peculiar privileges for the public good. Mr. Loyd says, 'Let the bank afford this assistance out of her own funds.' But, under Mr. Loyd's system, she could grant assistance only by selling securities; and what relief would she afford by selling securities with one hand, and lending out the money with the other? Besides, is it certain that, under such a pressure as Mr. Loyd's system must occasionally produce, these securities would be saleable at even any price? 'But,' says Mr. Loyd, 'individuals may afford this assistance.' In seasons of pressure few individuals have more ample funds than what are necessary for the supply of their own wants. . . . When the distress is caused by a contraction of the currency, it can only be removed by an increased issue of notes. And there are many cases, such for instance as that of the Northern and Central Bank, in which assistance can only be effectually rendered in this manner.

"We consider that any system of administering the currency, which prohibits the banking institutions of the country from granting relief to the commercial and manufacturing classes, must be unsound. We should condemn such a system at once, even if we could not detect the fallacies

on which it was founded. In political economy we can judge of principles only by their practical effects—and any system which produces these effects must be unsound. When seasons of calamity occur, it is not for the national bank to exclaim, *Sauve qui peut*. They ought to co-operate with the Government in attempting to relieve the distress, and to preserve the tranquillity of the country."

These remarks, written in the year 1841, might, if put into the past tense, almost serve for a history of the year 1847. The Act of 1844 was formed upon the principle which is here condemned; and the effects described have actually occurred. There have been great fluctuations in the amount of the circulation, in the rate of interest, and in the prices of the public securities. There have been great speculations, followed by great distress. The Government funds have in large amounts been unsaleable; and the bank has been unable to afford relief to the commercial classes. A severe pressure has taken place; and, in consequence of this severe pressure, the Act was suspended. It has been denied that this pressure was produced or increased by the Act. But, how stand the facts? The Act was passed, and, as predicted, a pressure came: the Act was continued, and the pressure increased: the Act was suspended, and the pressure went away. These are not opinions—they are facts.

At the meeting of Parliament in the latter end of 1847, committees were appointed by both the House of Lords and the House of Commons, to "inquire into the causes of the distress which has for some time prevailed among the commercial classes; and how far it has been affected by the laws for regulating the issue of bank notes payable on demand." The following is an extract from the Report of the Lords' Committee as to the causes of the pressure:—

"A sudden and unexampled demand for foreign corn, produced by a failure in many descriptions of agricultural produce throughout the

United Kingdom, coincided with the unprecedented extent of speculation produced by increased facilities of credit and a low rate of interest, and had for some time occasioned over-trading in many branches of commerce. This was more especially felt in railroads, for which calls to a large amount were daily becoming payable, without corresponding funds to meet them, except by the withdrawal of capital from other pursuits and investments. These causes account for much of the pressure under which many of the weaker commercial firms were doomed to sink, and which was felt even by the strongest. To these causes may be added a contemporaneous rise of price in cotton; and, with respect to houses connected with the East and West India trade, a sudden and extensive fall in the price of sugar, by which the value of their most readily available assets underwent great depreciation.

"Some of these causes are obviously beyond the reach of legislative control. But upon those which are connected with the extension of commercial speculation, encouraged or checked by the facility or the difficulty of obtaining credit, by the advance of capital and the discount of bills, the powers and position of the Bank of England must at all times enable that corporation to exercise an important influence. The committee have consequently felt it to be their duty to inquire into the course pursued by the bank acting under the provisions of the 7 and 8 Vict. c. 32, and they have come to the conclusion that the recent panic was materially aggravated by the operation of that statute, and by the proceedings of the bank itself. This effect may be traced, directly, to the Act of 1844, in the legislative restriction imposed on the means of accommodation, whilst a large amount of bullion was held in the coffers of the bank, and during a time of favourable exchanges; and it may be traced to the same cause, indirectly, as a consequence of great fluctuations in the rate of discount, and of capital previously advanced at an unusually low rate of interest. This course the bank would hardly have felt itself justified in taking, had not an impression existed that, by the separation of the issue and the banking departments, one inflexible rule for regulating the bank issues had been substituted by law in place of the discretion formerly vested in the bank."

The nature and extent of the pressure is thus described by the Governor and Deputy-Governor of the Bank of England:—

"The panic began by the failures in the corn trade. The price of wheat had risen to about 120*s*. Large arrivals of grain from the continent of Europe and from America, coupled with the prospect of an early and abundant harvest, caused a sudden fall in price to about 60*s*.

with a corresponding decline in Indian corn. The failure of most of the corn speculators followed this great reduction in price, and their failure caused the stoppage of an eminent discount broker having a large country connexion. This latter failure, by closing one of the principal channels of discount between the country and London, caused distrust to extend into the country. Credit became affected by these failures, and several London firms of high standing also failed. Then followed in rapid succession the failure of the Royal Bank of Liverpool, the Liverpool Banking Company, the North and South Wales Banking Company, some private country banks, and the Union Bank of Newcastle, followed by a tremendous run upon the Northumberland and Durham District Bank. To these disasters succeeded alarm, and an almost total prostration of credit. The London bankers and discount brokers refused to grant the usual accommodation to their customers, and necessarily obliged every one requiring assistance to resort to the Bank of England. Money was hoarded to a considerable extent; so much so, that notwithstanding the notes and coin issued to the public in October exceeded by 4,000,000*l.* or 5,000,000*l.* the amount with the public in August, still the general complaint was of a scarcity of money. Credit was so entirely destroyed, that houses trading to distant countries carrying on their business through the means of credit, by a renewal of their acceptances as they became due, were no longer able to meet their engagements, and were forced to stop payment. This was the state of things previous to the issuing of the Government letter in October." *

The Committee of the House of Commons delivered a Report in favour of the continuance of the bill without alteration—in opposition to the opinions of by far the majority of the witnesses who were examined.

Those witnesses who are friendly to the Act contend that it has secured the convertibility of the Bank of England note,—that this convertibility was endangered in 1825, in 1837, and in 1839, and would have been endangered in 1847 but for this Act.†

By the phrase "securing the convertibility of the note," it is not meant that the issue department of the Bank of

* Lords, No. 12.

† See the Evidence before the Committee of the House of Lords, Questions No. 1406 to 1409, and No. 3169.

England held a sufficient amount of gold and silver to pay off all the notes it had issued. It is obvious that the gold and silver in hand must always be fourteen millions less than this amount, inasmuch as fourteen millions of notes are issued against securities. By "securing the convertibility of the note," is meant, that the issue department of the Bank of England were in a condition to pay off any amount of notes of which payment was likely to be demanded *for the purpose of exporting the gold*—the issue department was always in a condition to meet any *foreign* demand for gold. This is called, "securing the convertibility of the note."

It has been contended, that the Act has retained in the vaults of the Bank of England a larger amount of gold and silver than would otherwise have been retained. And as this amount is set apart for the express purpose of paying the notes, their payment is so far additionally secured. On the other hand, it has been maintained that, by thus reserving all the gold to pay the notes, we endangered the payment of the deposits. And had the banking department stopped payment, a domestic run would have taken place upon the issuing department, and thus the payment of the notes would still have been endangered.

The following is the evidence of a director of the Bank of Liverpool upon the subject :—

"With regard to securing the convertibility of the notes, what is your opinion of the bill?

"I do not think it has secured the convertibility of the notes at all. The notes remained convertible up to the suspension of the bill; but I believe that, if the bill had not been suspended then, or some similar measure adopted, notes would have ceased to be convertible. Looking to the general state of things throughout the country, and to what I know to have been the state of things in London, and the position of trade generally—to the alarm that was spreading rapidly through the

country, and to the fact that the power of the bank had been reduced to such a point, that if there had been any apprehension of the failure of the country banks, it could not farther support them, and that very little might have occasioned (I might perhaps go farther, and say, would have occasioned) the failure of banks in large towns and in the country—believing that if one or two country banks of any magnitude had failed, alarm would have spread throughout the kingdom, or if one or two London banks had failed, consternation would have been general—seeing, also, the considerable amount of reserve in the hands of the country bankers and joint-stock banks, and the necessity that there would have been of having that reserve as early as possible converted into gold if the bank was obliged to stop—seeing that a reserve of 20,000*l.* for each of 300 country banks would have taken six or seven millions, or of 15,000*l.* each would have taken five millions—and that if the run for gold had once begun, it would probably have gone on till the treasury was drained—seeing all this, my firm opinion is, that the bill of 1844 has not secured convertibility, and I state the grounds on which that opinion is formed." *

It seems useless at present to speculate upon such a state of things, as we NOW know that before the pressure arrived to such a height as to cause the banking department to stop payment, the Act would be suspended. But it seems fair to ask, whether the precautions of the Act are not disproportionate to the danger? We ought to consider not merely the greatness of the evil, but also the probability of its occurrence; and is it wise to inflict upon ourselves a vast number of serious evils merely to guard against a danger that may never occur? It may farther be asked, whether the stringent measures that were necessary last year to keep the banking department from stopping payment, would not have been equally effectual under the previous state of the law in preserving the convertibility of the notes?

It should be recollected, too, that previous to the passing of the Act of 1844, the bank had the power of rectifying the exchanges by means of foreign credits, as

* Commons, No. 94.

they did in the year 1839.* But the directors, being now relieved from all responsibility with regard to the issue department, have no inducement to engage in such an operation. Indeed, they might be censured for interfering with the principle of the Act, that the exchanges shall be rectified by a transmission of gold and silver.

It would appear from the evidence, that the SOLE advantage NOW claimed for the Act is, that it has secured the convertibility of the note. Other advantages, however, were expected to result. Those expectations are thus disposed of in the Report of the Lords' Committee.

"It is true that to those who may have expected that the 7 & 8 Vict. c. 32, would effectually prevent a recurrence of cycles of commercial excitement and depression, the contrast between the years 1845 and 1847 must produce a grievous disappointment. To those who anticipated that the Act would put a check on improvident speculation, the disappointment cannot be less, if reliance is to be placed (as the committee are confident it may) on the statement of the governor of the bank, and of other witnesses, that 'speculations were never carried to such an enormous extent as in 1846 and the beginning of 1847.' If the Act were relied on as a security against violent fluctuations in the value of money, the fallaciousness of such anticipation is conclusively proved by the fact, that whilst the difference between the highest and lowest rate of discount was in the calamitous years 1837 and 1839 but $2\frac{1}{4}$ to $2\frac{3}{4}$ per cent., the difference in 1847 rose to $6\frac{3}{4}$. If it was contemplated that the number and the extent of commercial failures would have been lessened, the deplorable narrative of the governor of the bank, recording the failure of thirty-three houses comparatively in large business, in London alone, to the amount of 8,129,000*l.*, is a conclusive reply. If the enormous extent to which railroad speculation has been carried be considered as an evil to which a sound system of banking could have applied a corrective, such a corrective has not been found in an Act, since the passing of which, during a period of three years, an increased railway capital of upwards of 221,000,000*l.* has been authorized to be raised by

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* Several of the witnesses made suggestions for rectifying this exchange by other means than the exportation of gold.—See Commons, 97, 2018, 2023, 2579, 2614, 2620.

Parliament; and when the enormous sum of 76,390,000*l.* is stated, on high financial authority, to have been actually expended on railways in two years and a half. If the power of obtaining banking accommodation on moderate terms were considered to be promoted by the Act of 1844, it cannot be said that this important object has been attained, since it appears in evidence that in 1847, in addition to an interest of 9 or 10 per cent., a commission was also frequently paid, raising the charge to 10, 20, or 30 per cent., according to the time which bills had to run."

The report might have added, that if it was expected that the amount of notes in the hands of the public would fluctuate in exact correspondence with the fluctuations in the amount of gold in the Bank of England, that expectation has not been fulfilled. From the censure cast on the Bank of England before the Act was passed for not producing this correspondence, it may be inferred that such an expectation was entertained.*

Those who are opposed to the Act of 1844 bring against it the following accusations :—

First. The Act of 1844 is accused of having produced an abundance of money and a low rate of interest, and thus stimulated to excessive speculation. We showed, in the last Section, that these are always the precursors of a pressure.

According to this Act, all persons are entitled to demand from the issue department of the Bank of England, Bank of England notes in exchange for gold bullion at the rate of 3*l.* 17*s.* 9*d.* per ounce of standard gold. When, therefore, the foreign exchanges are favourable to the importation of gold, this gold, consisting of gold bars and foreign gold coin, which could not be used as money in this country, is taken to the issue department, and instantly converted into Bank of England notes. The amount of notes is thus increased beyond what the trans-

* See the Evidence taken before the Committee on Banks of Issue, No. 2677—2713.

actions of the country require. Money becomes plentiful, the rate of interest falls, and the low rate of interest gives facilities to speculative undertakings.

It must be acknowledged that, previous to the passing of this Act, the bank directors had adopted the principle of purchasing all foreign gold that might be offered them at 3*l.* 17*s.* 9*d.* an ounce; and it formed a feature of their system of management, as explained before a committee of the House of Commons in the year 1832. When the advocates of the Act say that it is only during a season of pressure that the Act comes into operation,* they can mean only that it is during such a season that the system established by the Act differs from the system previously in existence. The Act is as much in operation when it gives out notes as when it gives out gold.

It must also be acknowledged that on the 31st August, 1844, when the Act came into operation, there was a large amount of gold in the bank, and a low rate of interest consequently prevailed. This gold had accumulated, not literally in consequence of the Act, but in consequence of the principle embodied in the Act. From the adoption of this principle, the gold in the vaults of the bank still farther increased after the passing of the Act.

It must be farther acknowledged, that although the Act requires the issue department at all times to issue notes against gold, it does not require that the Bank of England shall at all times issue 14,000,000*l.* against securities. The Act merely requires that the amount *shall not exceed* 14,000,000*l.* And a London banker who was examined as a witness before the Lords' Committee, said he expected that when the Act came into operation the bank would not issue at first more than 11,000,000*l.* against securities,

* Commons, 5121.

and that the remaining 3,000,000*l.* would not be issued until the rate of interest had advanced to 3½ or 4 per cent. But the Act did not require the Bank of England to adopt this course; and its adoption would probably have been considered by some parties as a departure from its principle. For it is a fundamental principle of the Act, that the amount of the circulation shall jerk up and down in exact conformity to the importations or exportations of gold. And hence during a favourable course of exchange money must be abundant, and interest must be low.

It is alleged that the Act still farther reduced the rate of interest, and promoted speculative undertakings, by placing the Bank of England in a position in which the directors were led to adopt a new system of management.

In September, 1844, soon after the Act was passed, the directors, whose rate of interest had never previously been lower that 4 per cent., reduced it to 2½ per cent. The object of this reduction was to invest a larger portion of their funds in the discount of bills. It is stated that, to effect this object, the directors not only reduced their rate of discount, but also canvassed for business, and thus gave a stimulus to new transactions. They had been told that the banking department of the Bank of England was to be managed "like any other banking concern using Bank of England notes." And it is not an unusual thing for bankers, when they cannot employ their funds at so high a rate of interest as they wish to obtain, to employ them at a lower rate. Nor is it unusual for a banker to offer his surplus cash to bill-brokers and others, who are known to be in the habit of supplying bankers with bills. But however consistent the conduct of the directors may have been with banking principles, the reduction of the bank rate of discount immediately caused a reduction in the

market rate, and in the rates charged by bankers throughout the country. For it must be observed, that when the bank lowers her rate of interest upon money in seasons of abundance, it has the necessary effect of reducing the market rate of interest still lower than the bank rate. Suppose, for instance, the bank discounts at 5 per cent. and the market rate of discount is 4 per cent., of course no bills are offered for discount to the bank. Then the bank, to get discounts, lowers her rate of interest to 4 per cent. A portion of bills that were previously discounted by private bankers and bill brokers will then be taken to the bank; but the notes thus drawn from the bank make money still more plentiful, and the market rate falls to $3\frac{1}{2}$ or 3 per cent. Now, should the bank reduce her rate to 3 per cent. the same effects would again follow. For the additional notes thus drawn out would make money so abundant, as to reduce the market rate of interest to $2\frac{1}{2}$ or 2 per cent. and so on.

But in seasons of scarcity, precisely the opposite effect follows. For when the bank raises the rate of discount, it has the effect of raising the market rate still higher. Thus, if the bank should be discounting at 5 per cent. and the market rate should be $5\frac{1}{2}$ per cent. let the bank raise her rate to 6 per cent. and the market rate will immediately become 7 or perhaps 8 per cent. or even higher upon inferior bills. For the bank rate of discount will be the market rate for only the first class of bills—such bills as could be discounted at the bank; and all bills of the second class will have to pay an advanced rate, and those of a still more inferior character will not be discountable at all.

In 1844 the rate of discount was lower than in any previous season of abundance of money. This low rate of interest was produced, in the first place, by the principle

of the Act of 1844, which caused the issue of a large amount of notes against gold and silver bullion; and, secondly, by that provision of the Act which separated the two departments, and thus brought the banking department of the Bank of England into competition with other bankers and money dealers, as discounters of bills.* The directors of the bank seem to think that the spirit of the Act of 1844 required that the bank should employ its reserve.

"If we keep the notes in the reserve, instead of giving them out to the public, the effect that ought to be produced by gold coming into the country is counteracted; it induces a larger amount of capital to come into the country, because you do not allow that portion which has come in to be employed. If you do not put out the gold, or the representative of gold, you entirely prevent its having any effect upon the circulation. The exchange will be kept up, and gold will continue to come in."†

Thus it appears that, although there is no positive enactment in the Act respecting the management of the banking department, the directors so understand its spirit as to believe that when gold is going out of the country they ought to take measures to prevent its exit; and when gold is coming into the country, they ought to endeavour to drive it back again. The first object is attained by raising the rate of interest very high; the second, by reducing it very low. It must, however, be acknowledged that, apart from any efforts of the banking department, a large importation of gold will under the Act necessarily cause a low rate of interest.

Secondly. The next charge against the Act of 1844 is, that it does not admit of those occasional expansions of the amount of notes in circulation which are often required by the domestic transactions of the country.

It is alleged that one imperfection of the Act was

* Commons, 2275, 5189, 5347 to 5350.

† Commons, 3009.

strikingly manifested in the beginning of the year 1846. The Parliament required that all railway companies that intended to apply for an Act, should lodge 10 per cent. on their capital within fifteen days after the meeting of Parliament. It was impossible to say beforehand what amount of notes would be required to make these payments. It was variously estimated at from 12,000,000*l.* to 25,000,000*l.* while all the notes in the hands of the public amounted to only about 20,000,000*l.* Ultimately the railway companies of Ireland and Scotland were allowed to make their payments in Dublin and Edinburgh, respectively; and the payments in London did not amount to more than 14,000,000*l.** This large sum was paid by means of the banking department of the Bank of England lending out the money as fast as it was received. Had the Act of 1844 not been in existence, the Bank of England (as in the case of the West India loan, and of previous loans) might have lent out the money before the time of payment arrived, and no apprehensions would have been entertained. The notes in circulation would have been largely increased for a few days, and then again have subsided to the former amount. As it was, the payment was not made through any virtue in the Act. And had it been required under different circumstances, or when the banking department had a smaller reserve, it could not have been made at all.†

It is farther alleged, that the Act of 1844 requires an immediate contraction in the amount of the notes whenever gold is exported for merely a temporary or specific purpose. Between March 13 and April 24, 1847, 2,237,200*l.* was exported in payments for corn. An equal amount of notes was of course cancelled by the issue department. These notes must have been taken

* Lords, 1209, 1214. † Lords, 1209.

out of the hands of the public, or from the banking department of the Bank of England. About the same time, the Government had occasion to borrow of the banking department about 3,500,000*l.* to pay the April dividends. The banking department, consequently, for a while limited their discounts, and even refused to grant loans on exchequer bills. Great pressure was consequently felt, though it did not last for a long time. Now it is alleged, that if the Act of 1844 had not existed, the directors would have allowed the gold to be exported without *immediately* contracting the notes in circulation. They would have lent the money required by the Government, without refusing the loans and discounts to the public; and the contraction of the circulation, by being extended over one or two months, instead of a few weeks, might have produced no inconvenience.

By the Act of 1844, the circulation of the country banks was restricted to a certain amount. The average of the twelve weeks ending the 27th of April, 1844, was fixed for the maximum. During some months in the year the country requires more notes than this maximum; and, as the banks can issue no more notes of their own, they obtain Bank of England notes from London. In the year 1845 Acts of Parliament were passed for the regulation of the notes issued in Scotland and Ireland. Beyond certain fixed amounts, the banks in these countries are required to hold gold equal to the amount of notes in circulation. In both countries this circulation fluctuates. In Scotland, the highest amount is in November. In Ireland, the highest amount is in January or February. In these months they require more gold, and this gold they obtain from the issue department in exchange for Bank of England notes. Before the Act of 1844, the circulation of the country parts of

England, of Scotland, and of Ireland, expanded or contracted as required by the wants of the public, without affecting the London circulation of the Bank of England; but under this Act, the expansion of the circulation of the country banks, the banks of Scotland and of Ireland, are attended by a contraction of the circulation of Bank of England notes in London. This may not be a matter of much consequence in ordinary times, when the banking department of the Bank of England has a large reserve; but in seasons of pressure, such as occurred in 1847, this drain on the London circulation may be more severely felt.

It may be further stated, that the withdrawal or discontinuance of a certain amount of bills of exchange, through loss of credit or otherwise, would render a larger amount of bank notes necessary to fill up the space formerly occupied by those bills of exchange. But for such a circumstance no provision is made by the Act.*

Thirdly. It is alleged that the Act of 1844 tends to produce and to aggravate pressure, and at the same time deprives the Bank of England of the power of granting adequate assistance, even when the pressure is most urgent, and when assistance can be rendered without any danger of affecting the foreign exchanges.

This objection assumes that a pressure is an evil. It assumes, that to advance the rate of interest to a rate which no profit can afford to pay—to deprive solvent houses of the means of meeting their legitimate engagements—to cause a universal reduction of prices, and thus to baffle the calculations of even the most prudent—to reduce wealthy merchants to the condition of paupers—to deprive manufacturers of the means of executing their orders, and thus to throw thousands of industrious people

* Lords, 232—235.

out of employment—to sell to foreigners large amounts of goods and manufactures at less than the prime cost, thus causing a great national loss—to paralyze the national industry—to stop the progress of useful works—and to destroy confidence and credit—the objection assumes, that a pressure which produces effects like these is a national evil. And such must be the opinion of those who suspended the Act, and of those who approve of that suspension; for it was to prevent or to remove evils like these, that the Act was suspended.

It is alleged that the Act tends to produce such pressures. By issuing notes against all the importations of gold, it causes abundance of money, lowers the rate of interest, and stimulates to speculative undertaking (thus the low rate of interest in 1844 and 1845 stimulated the railway speculations) and then, speculation is always succeeded by pressure. If, therefore, similar causes produce similar effects, and if the future shall resemble the past, the operation of the Act of 1844 will tend to produce pressure.

It is further alleged, that when a pressure occurs without being produced by the Act, then the Act tends to aggravate the pressure. An unfavourable course of the exchange may be produced by a large importation of corn. The Act requires that the exchange shall be rectified by an exportation of gold, and that this exportation of gold shall be attended by a contraction of the domestic circulation (according to the present meaning of the word circulation) to an equal amount. It is hardly necessary to show that these regulations must aggravate a pressure.

It has been said, that the pressure of 1847 was produced by the railway speculations and the famine, and *therefore* it was not produced or increased by the Act of

1844. We do not perceive the soundness of this reasoning, and it seems to show a forgetfulness of the peculiar operation of the Act. The Act requires that the amount of notes in circulation shall fluctuate in exact accordance with the amount of bullion. Railway speculations, famine, foreign loans, or a hundred other things, may turn the foreign exchanges, and cause gold to be exported, but it is the Act which causes our circulation of notes to be contracted in proportion as the gold is withdrawn. So a hundred different circumstances may cause gold to be imported, but it is the Act which causes the circulation to be inflated in correspondence with this increased amount of gold. Herein, we think, is the injurious operation of the Act. When the exchanges are favourable, gold is imported. The gold is in bars and foreign coin, and could not pass as money. But the Act issues notes against this gold, thus increasing the circulation, lowering the rate of interest, and giving rise to speculations of all kinds. These speculations, co-operating possibly with other causes, turn the exchanges. Notes are then taken to the bank, and gold demanded, for the purpose of being exported. This contraction of the circulation of notes produces pressure, and the apprehension of further pressure produces panic.

They who contend that the Act of 1844 has not "in the slightest degree tended either to create or to increase the pressure"* of 1847, seem to be inconsistent in contending, at the same time, that the Act has preserved the convertibility of the bank note. It was the pressure and the high rate of interest, and low prices consequent upon the pressure, that checked the efflux of gold, and turned the exchanges. Now, if the Act had no effect in producing or increasing that pressure, the convertibility of

* Lords, 3106.

the note, by whatever causes it was secured, was not secured by the Act. If the Act did not in the slightest degree either create or increase the pressure, in what way, we ask, could it preserve the convertibility of the note? It appears to us that those who contend that the Act preserved the convertibility of the note are bound by consistency to admit that the Act produced or increased the pressure.

It is further alleged that the Act aggravates a pressure by the "panic" which it creates. It is stated that, during the pressure of 1847, notes to the amount of 4,000,000*l.* were hoarded under the influence of panic, and this hoarding was occasioned by the provisions of the Act. It must be acknowledged, however, that something of this kind has taken place in former pressures. We noticed this circumstance with reference to the pressure of 1836,* and again with reference to the pressure of 1839.†

"A contraction of the circulation leads to a general apprehension of danger. Hence the bankers and others keep larger reserves of bank notes on hand, in order to be prepared for the worst, and thus the evils of the contraction are considerably increased. 'That portion of the notes of the Bank of England which is passing from hand to hand, may be called the active circulation. That portion which is hoarded, or kept in reserve to meet possible demands, may be called the dead circulation. Now, it is quite certain that the dead circulation, while it remains in that state, has no effect upon the prices of commodities—the spirit of speculation—or the foreign exchanges. These

* The History of Banking in America; with an Inquiry how far the Banking Institutions of America are adapted to this Country, and a Review of the Causes of the Recent Pressure on the Money Market. By J. W. Gilbart. Page 96.

† An Inquiry into the Causes of the Pressure on the Money Market in the year 1839. By J. W. Gilbart. Page 38.

are affected only by the active circulation. In seasons of pressure the dead circulation is increased at the expense of the active circulation, because people hoard their money to meet contingencies. Hence we find the pressure is often more severe than the reduction of the Bank circulation would seem to warrant. But the fact is, that the pressure is in proportion to the reduction of the active circulation, and not in proportion to the reduction of the whole circulation. On the other hand, in seasons of abundance, the dead circulation is diminished, the active circulation proportionably increased, and hence the stimulus given to trade and speculation is much greater than the returns of the Bank of England would warrant us to expect.' "*

If this disposition to hoard—or, more properly, to make provision for future or contingent demands—existed in 1837 and 1839, when the Bank of England had the unrestricted power of issuing notes; when there was the most unbounded confidence in her ability to render assistance—and when every solvent person expected, if necessary, to receive that assistance—it is natural to suppose that this disposition would be stronger in 1847, when the Bank of England had become divided into two departments—one of which could issue no notes except against gold, and the other had barely notes enough to meet its own obligations. For this alteration in the condition of the Bank of England, and the consequent feelings it inspired, the Act of 1844 is clearly responsible.

It is said that this desire of "hoarding" arose from PANIC; and that the sum thus "hoarded" amounted to 4,000,000*l.* of notes. It is difficult to state where prudence ends and panic begins. This hoarding was no doubt carried on by all the joint-stock and private bankers, who,

* History of Banking in America, page 96.

having received from the public large sums of money payable on demand, deemed it prudent to put themselves in a condition to repay these sums in case they should be demanded. And, from the number of banking establishments that exist in London, and throughout the country, it is reasonable to suppose that the sums thus hoarded must have been considerable.* Many private parties, too, from distrust of their bankers, probably kept their hoards in their own hands. No blame, however, can attach to the bankers; for, although this "hoarding" increases the pressure, yet, were they not to adopt this course, their banks might stop payment, and thus a heavier calamity would fall upon the public.

It is further alleged that the Act of 1844 has deprived the Bank of England of the power of granting assistance by the issue of notes during a pressure, even when the pressure is most urgent, and the foreign exchanges are favourable. Before the passing of the Act, when there was no separation of departments, the bank directors restricted their issues when the exchanges were unfavourable, but extended them when the exchanges were favourable. Hence, during the pressure of 1837, they granted assistance by a farther issue of notes to the Northern and Central Bank, because the exchanges had become favourable. Between the periods of an efflux and an influx of gold there is always an interval of time. This interval is usually the highest point of the pressure; and heretofore the Bank of England would relieve the pressure by extending her issue of notes, in anticipation of the gold about to arrive. By this means solvent houses were prevented stopping. Confidence was restored, "hoarding" was diminished, and the pressure removed. But the Act

* See Evidence before the Commons' Committee, 70, 1737, 4605, 5776.

of 1844 does not allow this. No additional notes can be issued until the gold has returned. The same course must be followed, whether the exchanges are favourable or unfavourable; and to anticipate the return of the gold, by a farther issue of notes, under any circumstances, however urgent, would be a departure from the principle of the Act. That such a departure, however, may be made with immense advantage to the public, is obvious from the effects which immediately followed the suspension of the Act in October, 1847.*

It is chiefly in this respect that the system established by the Act differs from the system previously in operation. And some of the witnesses, looking no farther than this, merely recommended that a power to suspend the Act in cases of severe pressure, should be lodged either with the Government or the Bank. We feel no regret that the Legislature did not comply with this recommendation. It is this inflexibility of the Act which makes the commercial classes *feel* the unsoundness of its whole principle. Had a dispensing power been granted, we should merely have fallen back upon the previous system, with the additional disadvantage that the bank would never be able to adopt a better system, even if so disposed. The directors had for several years professed to govern the issue of notes by the foreign exchanges, but departed from that principle according to their discretion. The Act of 1844, by its inflexible enactments, put this principle to the test of experiment. The principle could not bear that test, and hence the Act was suspended. There is now a chance, at least, that we shall get a better system. The following is the language we addressed to the joint-stock banks at the time the Act was passed :—

"It must be acknowledged that the principle of regu-

* Commons, 5387—5389.

lating the currency by the stock of bullion in the Bank of England, as proposed by Sir Robert Peel, is one which the joint-stock banks, as well as the private banks, have strongly condemned. But since we cannot obtain the adoption of our own views, the question for our consideration is, Whether the existing system or that now proposed will best promote the interests of our establishments? And we shall probably determine that it is better to have a uniform law, the operations of which may be subjected to some degree of calculation, than unknown laws, which are applied or suspended according to the impulse of caprice.

"The proposed measure is an experiment; and so excellent is the machinery, that the experiment interferes as little as possible with existing interests. And the old machinery being retained by the continuance of the country issues, the return is easy to the former system, if necessary, before any serious injury can be inflicted on the country.

"As practical bankers, we contend that experience is the only test of the soundness of a theory. Let, then, 'the currency principle' be tried by this test. If it succeeds, the joint-stock bankers, in common with every other class of the community, will share the advantage. If it fails, then other principles will, perhaps, be tried; and, notwithstanding all the denunciations we have heard upon the subject, it may perhaps be ultimately found that the principle of 'competing issues,' as practised in Scotland, is the only effective principle by which the currency throughout the United Kingdom can be managed."*

* Letters of Nehemiah, page 9. In the year 1844, I addressed four letters to the joint-stock banks, under the signature of Nehemiah.—"The first was written a short time previous to the opening of Parliament: the second, soon afterwards, when an impression prevailed that a plan would be proposed for the establishment of one bank of issue: the

It is obvious that "the currency principle" has been tried and has failed. It seems now to be the proper time to try the antagonist principle—that the amount of the domestic currency should be wholly unaffected by the importations or exportations of bullion. We doubt not that the talent and ingenuity which framed the Act of 1844 can construct a plan for bringing this principle also to the test of experiment. When this is done, we will judge of the soundness of the principle by its results. So far as it hitherto been tried, it has never failed.*

third, immediately after Sir Robert Peel had announced his measures in the House of Commons, and before the deputies from the joint-stock banks had held their meeting for the purpose of considering them: and the fourth, after those measures had become law." The object of the third letter—from which the above quotation is taken—was to advise the joint-stock banks not to discuss the principle of the currency in their communications with the Government, but to endeavour to obtain some practical modifications of the measures originally proposed. My advice was followed, and the modifications were obtained. The joint-stock banks have had no meeting respecting the pressure of 1847. They have consequently expressed no opinion respecting it; nor did they propose any witnesses for examination before the parliamentary committees. It was not thought advisable that the joint-stock banks as a body should interfere with public questions, except such as have a special reference to themselves, as joint-stock banks. It was therefore determined to watch the proceedings of the committees, but not to call a meeting of "the deputies," unless some measures were recommended that might practically affect the joint-stock banks.

* It would appear from the recent Message of the President of the United States of America, that his principle has been tested by the operation of the "Constitutional Treasury."

"During the present year nearly the whole continent of Europe has been convulsed by civil war and revolutions, attended by numerous bankruptcies, by an unprecedented fall in their public securities, and an almost universal paralysis of commerce and industry; and yet, although our trade and the prices of our products must have been somewhat unfavourably affected by these causes, we have escaped a revulsion, our money market is comparatively easy, and public and private credit have advanced and improved.

"It is confidently believed that we have been saved from their effect

We have thus endeavoured to trace (impartially, as we believe) the practical operation of the Act of 1844.* It is reasonable to suppose, that under similar circumstances it will produce similar effects. What will be its effects under other circumstances, we have yet to learn. We have yet to learn what will be the operation of the Act under a large importation of gold, *ab initio*, from a favourable state of the exchanges—what will be the effect of the Act during a pressure, when it shall not be suspended—and how its effects may be increased or mitigated by any different system of management on the part of the banking department. We have yet to learn how the Act will work financially during a large falling off in the public revenue, an increase of taxation, or contracts for large Government loans; and how it will work during a war, in which we may have to maintain armies on the continent, or to subsidize foreign powers. We have yet to learn whether the issuing department will be ultimately removed from

by the salutary operation of the Constitutional Treasury. It is certain that, if the 24,000,000 of specie imported into this country during the fiscal year ending on the 30th of June, 1847, had gone into the banks, as to a great extent it must have done, it would, in the absence of this system, have been made the basis of augmented bank paper issues, probably to an amount not less than 60,000,000 or 70,000,000 of dollars, producing, as an inevitable consequence of an inflated currency, extravagant prices for a time, and wild speculation, which must have been followed, on the reflux to Europe the succeeding year of so much of that specie, by the prostration of the business of the country, the suspension of the banks, and most extensive bankruptcies. The restraining effect of the system upon the tendencies to excessive paper issues by banks, has saved the Government from heavy losses, and thousands of our business men from bankruptcy and ruin. The wisdom of the system has been tested by the experience of the last two years, and it is the dictate of sound policy that it should remain undisturbed."

* The reader will find some further observations on this Act in the Section on "the Administration of the Banking Department of the Bank of England."

the Bank of England to the Exchequer, and we shall have a paper currency issued by the Government under the authority of an Act the provisions of which may be suspended (as heretofore) by the same Government; and also whether the future suspensions of the Act will ever be influenced by party or political considerations. And, finally, we have yet to learn how the Act will work in case of any large importations of gold from the mines of Russia or California.

We may be reminded that, should the Act work unfavourably under any of the above circumstances, there is one remedy always at hand—the remedy which has already been applied—to suspend it. And no doubt, under any Government, men will be found who will have the courage to apply this remedy. But this will not remove the previous evil. The suspension, too, may be long delayed, and in the mean time much evil may arise. In the next pressure the nation will be like "a cat in an air-pump." The animal will not be allowed to die, but at what precise period of exhaustion relief will be afforded will depend upon the views and theories of the philosophic statesman who may at the time be performing the experiment.

It will not be safe for practical bankers to calculate with too much confidence upon the suspension of the Act. They should make their arrangements on the supposition that it will not be suspended. And it behoves them to inquire what are the principles upon which, under such circumstances, their establishments ought to be administered. This we shall now proceed to do.

We pointed out at the passing of the Act the course which we thought prudent bankers ought to pursue.

"Permit me now, with all deference, to point out the course which I think the joint-stock banks should pursue. In future, the amount of notes in circulation will be regu-

lated by the foreign exchanges. When the exchanges are favourable, money will be abundant; when they are unfavourable, it will be scarce. The evils arising from a scarcity of money can only be avoided by following a prudent line of conduct when money is abundant. We, then, as prudent bankers, ought at present to check our desires of making large profits and declaring high dividends, and be content to employ our funds at a low rate of interest, rather than lock them up in hazardous or inconvertible securities. We should call up our old overdrafts, and our dead loans, and, if necessary, increase our capital, so as to place ourselves in the position most favourable for meeting an adverse state of the foreign exchanges. In cases of pressure on the money market, arising from an unfavourable course of exchange, the Bank of England will not be able, as heretofore, to relieve that pressure by a further issue of notes, and, so far from granting assistance to other banks, she may, from the extent of her transactions, be more in need of assistance herself. We must, therefore, conduct our banks, individually, on a principle of self-dependence; we shall have to limit our overdrawn accounts, to avoid all advances on inconvertible securities, and to call up such an amount of capital as shall secure to us the means at all times of giving reasonable accommodation to our customers. On the recurrence of a pressure similar to that of 1839, the cry will be *sauve qui peut*—"every one must take care of himself."*

The knowledge we have acquired of the working of the Act will tend to give additional force to these recommendations. The attention of practical bankers will also be called to other points besides those which are here named.

* Letters of Nehemiah.

It will become a question with them to what extent they should continue to allow interest on their deposits. Some of the joint-stock banks in London allow interest on the minimum balance of a current account. Others allow interest only on deposit receipts. But most London bankers, whether private or joint-stock, allow interest on the daily balance to their country connexions. In seasons of abundance, however, they usually limit the amount on which they allow interest to prevent themselves being glutted with money from the country banks. But should the Act of 1844 produce those frequent alternations from abundance to pressure, and again from pressure to abundance, which we think it will produce, then it will become a matter of consideration how far the practice of allowing interest on deposits can be continued. It can never be worth a banker's while to allow interest on money which remains in his hands only so long as it cannot be employed, and is taken from him the moment it becomes valuable. During the year 1847 vast sums were withdrawn from both the London and the country bankers, not from any distrust of these bankers, but with a view to make more profitable investments. The rate of interest had been for some time previously very low. Consols had been at par; and when consols fell so low as to yield $3\frac{1}{2}$ per cent. interest, and the railway companies issued debentures bearing interest at 5 per cent., large sums were withdrawn from all the banks, as well as from the savings banks, for the purpose of being invested in these securities. The bankers had no right to complain of this, as they were called upon only to fulfil their engagements; but they will probably be unwilling in future to allow interest on deposits of this description.

Another circumstance which the operations of the Act of 1844 will lead practical bankers to re-consider, will be

the extent to which they should invest their surplus funds in Government securities. Many bankers have considered it as a sound principle to invest a certain portion of their funds in Government securities. We have laid before our readers extracts from evidence given before parliamentary committees, in favour of this principle, and we expressed our own convictions respecting the same doctrine. But we must acknowledge the operations of the Act are sufficient to show that this principle should be acted upon with caution, and should be limited in its application. The Act will cause money to be alternately abundant and scarce. When money is abundant, the funds are high; and when money is scarce, the funds are low. In seasons of abundance the banker will be full of deposits; in seasons of pressure his deposits will be withdrawn, and he will, moreover, be asked to assist his customers by farther advances. He will, therefore, always have occasion to sell out of the funds when the price is low, and thus he will sustain loss. It will, consequently, be his interest to employ his surplus funds in other investments, or even to keep his money unemployed in his till, rather than invest it in Government securities. His risk will be greater if the Act should be capriciously suspended. In October, 1847, several banks are said to have sold out of the funds only a few days before the appearance of the Government letter. After the issue of that letter the money was not wanted; but, as the funds immediately rose, the money could not be replaced but at considerable loss. The reports and proceedings of the joint-stock banks brought to light some transactions of this kind, and it is probable that the private banks sustained heavy losses by similar transactions.

Another lesson that will be more deeply impressed upon the minds of practical bankers, will be to conduct their

establishments in such a way as to be self-dependent in seasons of pressure.

The events of the year 1847 are sufficient to show to what extent dependance can be placed on the Bank of England. Several of the directors complained that every body looked for assistance to the Bank of England. No expectation could be more complimentary to the bank, nor show more strongly the confidence she had inspired under her previous government. In no preceding pressure had she refused assistance upon the ground that she was unable to grant it. But in former pressures there was no separation between the issuing and the banking departments. Her great strength lay in the power she possessed of expanding the circulation. That power she surrendered to the Act of 1844. She then became like "any other banking concern issuing Bank of England notes." Her locks are now shorn.*

The Bank of Liverpool had been one of the oldest and most respectable of the connexions of the Bank of England. They had, from their commencement, never issued any but Bank of England notes, and had always a pretty large discount account with the branch at Liverpool. Yet, in the year 1847, their minute book contains several entries similar to the following:—"The manager stated he had seen the agent of the branch bank this morning, and that he would not discount anything for us to-day." Even in the comparative light pressure of April 1847, the bank suddenly restricted their discounts; and, in October 1847, they were quite unable to meet the public demand, although in some cases they lent consols instead of money. Indeed, it was because the means of the bank were unable to supply the demand for notes, that the Act of 1844 was suspended; yet the governor, and all the other witnesses

* Commons, 769, 3223-4, 3941-2, 4566, 5389.

who supported the Act of 1844, stated their opinion that the pressure of 1847 was not so severe as some preceding pressures. How much sooner, then, would the means of the bank have been exhausted, if the pressure had equalled its predecessors in severity!

While bankers should not depend on the Bank of England, neither should they depend on the bill-brokers. A broker, as the name implies, is an intermediate party between the borrower and the lender. When money is abundant the bill-broker has large funds at his disposal, with which he will discount at a lower rate of interest than the bankers. When a pressure arrives, these funds are withdrawn, and his occupation is gone. Some bill-brokers have large capitals of their own, and take in deposits, re-payable on demand; and to this extent they may be regarded as bankers. When money is abundant, sometimes cunning people, instead of going to their own banker's, will take their bills to the bill-brokers, who will discount them at a lower rate; and when the pressure arrives, and the brokers no longer discount, they think to return to their banker's. It is said that some country banks have occasionally adopted the same system. But it is clearly a bad system for any bank to adopt. A bank that is dependent on re-discount will most likely feel some inconvenience in a season of pressure, even when the bills are all undoubtedly good. But if the bank has, from a desire of making large profits, been induced in seasons of abundance to re-discount inferior bills, the results may be more serious. For in a season of pressure, a large portion of those bills will not be paid, and the bank will have to provide payments for its own indorsements, while its former channels of re-discount will be closed. All the joint-stock banks that stopped payment in 1847 had been accustomed to re-discount; and though some of

them were unsound in other respects, yet the immediate cause of their stoppage was the inability to re-discount. We again refer to the proceedings of the Bank of Liverpool. "The manager stated that out of two small sums of 10,000*l.* sent to London to the broker's, only one had been done."—"We had then 100,000*l.* at call with certain bill-brokers, who were unable when applied to to return us more than 25,000*l.*" The governor of the bank stated that the failure of the corn speculators caused the failure of an eminent discount-broker having a large country connexion; and this failure, by closing one of the principal channels of discount between the country and London, caused distrust to extend into the country.

Banks should not only avoid depending on the Bank of England, or on bill-brokers: they should also avoid depending on other banks. Some banks in manufacturing districts are in the habit of discounting with banks in agricultural districts. A very good practice, as we think. But the banks requiring the discount should always recollect that when a pressure arrives, the discounting bank may have other ways of employing its funds. Country banks, too, should not rely too much on their London agents. Some London bankers have, no doubt, immense power. At the same time, in seasons of pressure, they have immense claims upon them.* If free from a run upon themselves, they will endeavour so to administer their funds as to afford reasonable assistance to all their connexions. And no one connexion should expect to receive more than this reasonable amount of assistance. But they may themselves be exposed to danger. The panic of 1847 was not a banking panic, but a commercial panic; and therefore the London bankers were comparatively free from molestation. But banks had failed in Liver-

* Commons, 2344—8.

pool and Newcastle, and this might have caused a banking panic in London. The panic of 1825 commenced by the failure of a country bank. In such a case the London bankers could have rendered but little assistance to their country connexions. It must be recollected that the Act of 1844 was suspended upon the application of the London bankers. The governor of the bank stated to the Committee of the House of Lords—"The London bankers and discount-brokers refused to grant the usual accommodation to their customers, and necessarily obliged every one requiring assistance to resort to the Bank of England."

The most effectual way of acquiring this self-dependence that we have been recommending, is to call up an adequate amount of capital. During a pressure, as we have already said, a banker has three additional claims on his funds. In the first place, a large amount of his deposits may be withdrawn. Secondly, many of his customers, and some probably of the wealthiest, will require additional assistance, in the way of loans and discounts. And, thirdly, he will think it prudent to keep a larger sum in his till, to meet contingent demands. On the other hand, the bills he holds will not all of them be regularly paid; the temporary loans he has granted will have to be renewed; and should he call up any of his permanent, or dead loans, it will resemble calling spirits from the deep. In this case he will find the benefit of a large capital; and it is only by means of a large capital that all these operations can be performed with comfort to himself and satisfaction to his customers. But if we increase our capitals to the full extent that may be required in seasons of pressure, we must not expect to pay high dividends. It is obvious that with the same extent of business, a bank with a large capital must pay a lower dividend than

a bank with a small capital. It seems therefore likely that the average rate of banking profits will be reduced.

"The fluctuations in the value of money produced by attempting to regulate the currency by the foreign exchanges are injurious to both the London and the country bankers. In seasons when money is abundant, the bankers obtain but a low rate of interest on their loans and discounts—and they are tempted to make imprudent investments in order to employ their funds. And when, on the other hand, money is scarce, the amount of their lodgments is reduced—the rate of interest allowed on the permanent deposits is advanced—a larger sum is kept unemployed in the till—and there is more danger from losses, either by the failure of parties in debt to the bank, or by the necessity of realising Government securities. Those country bankers who are in the habit of re-discounting their bills in London are induced, when money is abundant, to carry this system to a great extent, because they can obtain money at 2 or 3 per cent. in London, and lend it in the country at 4 or 5 per cent. But when money becomes scarce they have to pay an exorbitant interest or are denied discounts altogether, and they are then compelled to refuse their customers their usual accommodation, and then great distress is occasioned in the provinces. Except under peculiar circumstances, both the extremes of abundance and scarcity of money are unfavourable to large banking profits. A state in which money is easy without being abundant, and valuable without being scarce, is the most conducive to the prosperity of both the banking and the commercial interests of the country." *

* An Inquiry into the Causes of the Pressure on the Money Market during the year 1839.

While, however, the profits of a banker from the ordinary operations of his business may be diminished, it is possible he may have opportunities of making other profits by those fluctuations in the prices of public securities, which usually occur in the different periods of a circle of the currency. In the first period, immediately after a pressure, money is abundant without speculation; in the second period, money is abundant and speculations abound; in the third period, speculation begins to decline and money is in demand; in the fourth period, money is scarce and a pressure arrives. It is impossible to say how long each of these periods may last, as they will be influenced by political events—the abundance of the harvests—the direction which speculation may take—and the state of the public mind. Their approach or decline are generally indicated by the stock of gold in the Bank of England.

During the first period money will be abundant, because the importation of gold will cause an increased issue of bank notes; because, the import of commodities being diminished, there will be fewer bills drawn from abroad upon English houses, and offered for discount to the London bankers; and because trade will have become paralyzed at home, and prices will have fallen, so that less money will be required to carry it on. A banker at this period, will have more money than he can employ. But at this period, the prices of the public funds and of other securities are low. The Act of 1844, by causing great fluctuations in prices, gives great advantage to prudent capitalists, at the expense of the less prudent or less wealthy classes of the community. "All fluctuations in trade," says Mr. Gurney, "are advantageous to the knowing man."* To those who are not "knowing men,"

* Lords, 1324.

these fluctuations are injurious. The abundance of the circulation produces a multiplication of contracts, and then the contraction of the circulation produces an inability to fulfil them.* And those who have stock or any other kind of saleable property, are obliged to realise in order to fulfil their engagements. Bankers may during this period make advantageous investments; and as they may calculate that another pressure will not arrive for two or three years, they may purchase a limited amount of securities that have six or twelve months to run. During the second period, money will be in demand, though there may be no great advance in the rate of interest. The securities purchased by the banker in the first period, will now be falling due or advancing in price. But this will be the period of his greatest danger, and he must have a care not to let his desire of getting higher interest lead him to make undue advances upon the commodities or securities that may be the subject of speculation. The third period, will be the most profitable for the banker in his direct business. Money will be in full demand at a good rate of interest, and his deposits will hardly have begun to decline. He should now sell out stock and exchequer bills, or any other securities likely to be affected by the approaching pressure. He should make advances only by discounting short bills or making short loans. He should weed his accounts of such customers as have deeply engaged in the previous speculations—and put himself in a condition, to support liberally through the pressure, those who may be entitled to his assistance.

It seems, therefore, probable that bankers will, under the Act of 1844, endeavour to make up for diminished profits by dealing more largely in securities. According to the evidence of Mr. Pease, the fluctuations in the cur-

* Lords, 3845.

rency have already produced similar effects in the departments of trade and commerce.

"I stated, as clearly as I was able to do, that the man who bought from hand to mouth, which is the common case, and did not watch those fluctuations of capital, so as to buy when things were unusually depressed, and to sell when things rose again, failed. The only man who succeeded in making money, succeeded in carrying on a speculative kind of business, that has arisen from the want of regularity in the values of money and produce. The man who did not so speculate—buying largely at one time, and selling very freely at another—did not succeed."
"It is of great importance that persons who do not desire to carry on a speculative business should have some assurance that it is moderately productive. That assurance they have lost, by being suddenly deprived by those fluctuations of that which they thought they had secured by their industry." *

Though we would not confound this kind of speculation with that which takes place by means of time bargains on the Stock Exchange, yet we do not think it desirable that banks should deal in the public securities merely with a view of making a profit from the fluctuations in price. Sometimes the banker will be out in his calculations, and, instead of selling at a profit, he will have to sell at a loss, or else submit to a lock-up of his funds. And at all times there is a danger that he will acquire a speculative feeling, which will lead him to disregard the steady pursuit of his trade.

* Commons, 4700, 4702.

SECTION IX.

THE ADMINISTRATION OF THE BANKING DEPARTMENT OF THE BANK OF ENGLAND.

By the Act of 1844, the banking department of the Bank of England was separated from its issuing department; and was to be managed like "any other banking concern issuing Bank of England notes." Taking this view of the banking department, we propose to inquire on what principles it ought to be administered. We shall do this, however, not so much with the view of bringing forward any notions of our own, as to lay before the reader some account of those principles which the bank directors have adopted for their government. This will lead us, peradventure, to discuss some principles of practical banking to which we have not hitherto had occasion to refer. We shall then trace the operations of this department since the passing of the Act of 1844.

The Bank of England is governed by a court of directors, consisting of twenty-four members. These are selected from the mercantile classes of London, virtually, by the other directors, who form what is called a House List. They recommend certain persons to be chosen as directors, and the proprietors always follow this recommendation. The

court hold their meetings every Thursday, and they then receive a report of the transactions of the preceding week.

The executive administration, in the mean time, is in the hands of the governor and deputy-governor, who may be advised or assisted by the committee of treasury. This committee is composed of those directors who have held the office of governor, of the existing governor and deputy-governor, and of the director who is intended to be the next deputy-governor. A director is at first an ordinary director, and attends the weekly meetings of the court. In turn he becomes, for one year, a member of the committee of treasury; then deputy-governor for two years; then governor for two years; and afterwards a permanent member of the committee of treasury. This committee meet once a week, and at such other times as they may be called together specially by the governor. Sometimes they discuss the measures that are to be submitted to the next meeting of the court; but the court do not now so readily as formerly adopt their recommendations. The governor and deputy-governor, for the time being, make all loans and advances, and sometimes raise the rate of discount, without waiting for the opinion of the court. They conduct all negotiations with the Government, and, subject to the sanction of the court, have the whole administration of the affairs of the bank. Each director must hold 2000*l.* bank stock; the deputy-governor, 3000*l.*; and the governor, 4000*l.* It was the rule that every director should take his turn for becoming governor, but recently it has been determined to place in that office the director whom the other directors shall, by ballot, think best qualified. Several suggestions were made before the parliamentary committees, for improving the composition of the court of directors. It was proposed that all the

directors should not be taken from the commercial classes, but that some should be selected from the banking and manufacturing interests. It was also asked, whether a permanent governor, either for life or for a number of years, would not be preferable to the present system.

The Act for separating the two departments came into operation on the 31st August, 1844, and the following was the first return made under the Act, showing the condition of the banking department on the 7th September, 1844:—

Account of the Liabilities and Assets of the Bank of England, for the week ending 7th September, 1844.

Dr. ISSUE DEPARTMENT. *Cr.*

	£		£
Notes issued . . .	28,351,295	Government debt . .	11,015,100
		Other securities . .	2,984,900
		Gold coin and bullion.	12,657,208
		Silver bullion . . .	1,694,087
	£28,351,295		£28,351,295

BANKING DEPARTMENT.

	£		£
Proprietors' capital .	14,553,000	Government securities	14,554,834
Rest	3,564,729	Other securities . .	7,835,616
Public deposits . .	3,630,809	Notes	8,175,025
Other deposits . . .	8,644,348	Gold and silver coin .	857,765
Seven day and other bills	1,030,354		
	£31,423,240		£31,423,240

The following Table will give a more detailed account of some of the items in the above return:—

Dr.	£	£
Circulation—		
London	14,802,000	
Country	6,405,000	
		21,207,000
Deposits, Public, viz.—		
Exchequer Account	2,198,000	
For Payment of Dividends	315,000	
Savings Banks, &c.	501,000	
Other Public Accounts	617,000	
		3,631,000
Deposits, Private, viz.—		
Railways	30,000	
London Bankers	963,000	
East India Company	636,000	
Bank of Ireland, Royal Bank of Scotland, &c.	175,000	
Other Deposits	5,631,000	
Deposits at Branches	1,209,000	
		8,644,000
		£33,482,000

		Cr.
Public Securities—	£	£
Advances on Exchequer Bills.		
Deficiency		
Other Exchequer Bills	870,000	
Exchequer Bills Purchased	311,000	
Stock and Annuities	12,821,000	
		14,002,000
Private Securities—		
Bills discounted:		
London	113,000	
Country	2,003,000	
		2,116,000
Exchequer Bills, Stock, &c.	661,000	
East India Bonds	198,000	
City Bonds, &c.	3,357,000	
Mortgage	620,000	
Advances :—		
Bills of Exchange	883,000	
		5,719,000
		21,837,000
Bullion		15,209,000
		£37,046,000

It will be seen from the above, that the means or funds of the banking department for carrying on its business, consists of :—1. The Paid-up Capital—2. The Rest or surplus fund—3. The Public Deposits—4. The other deposits—5. The seven-day and other Bills. These funds are invested in "Government securities" and in "other securities," and the remainder is kept as a reserve in the till.

1. Viewing this as the condition of a private and independent bank, the first thing that would strike the mind of a practical banker, would be the large amount of the PAID-UP CAPITAL. The capital is 14,553,000*l.*; while the total deposits are only 12,275,157*l.* The object of a large capital is, in the first place, to secure the public confidence; then, to have the means of repaying the deposits whenever demanded; and also, of affording to the customers of the bank, every reasonable accommodation in the way of loans or discounts. But after making due provision for these objects this amount of capital appears unnecessarily large. Were it only 7,000,000*l.*, that would be amply sufficient for carrying on the present extent of business, and the rate of dividends might then be increased. All above this amount could only be invested in Government securities, never likely to be required for banking purposes; and if required, could not be suddenly realised, or at least not within the period in which they are likely to be wanted.

2. The next thing that would appear remarkable for a private bank, is the large amount of the REST, or surplus fund.

The Rest, or surplus fund, or Guarantee Fund, as it is sometimes called, consists of the accumulation of surplus or remaining profits after the payment of the dividend. The object of this fund, is not to guarantee the public

for the security of their deposits, but to guarantee to the shareholders the uniformity of the dividend. If, in any one year, the profits fall below the amount required to pay the usual dividend, the deficiency is taken from the rest or surplus fund. The amount of this fund should be regulated by the extent of the business and the probable loss that might arise in conducting that business. If the fund is five or six times the amount of the deficiency that might possibly arise in making up the annual dividend, it would appear to be sufficient. For if, after making up this deficiency for one, two, or three years, it should appear that the profits of the bank had become permanently diminished, then the course would be to reduce the dividend, until the surplus fund had recovered its former amount.

Banks that have made large profits, have either increased the dividend, or distributed them among the shareholders in the form of bonuses, or have added them to the capital. The Bank of England have adopted all these plans. Yet, after all these distributions of increased dividends, bonuses, and additional capital, the bank had on the 7th of September, 1844, a rest, arising from surplus profits, of 3,564,729*l.* No other "banking concern carrying on business with Bank of England notes," would think it necessary to keep such a rest. Neither the kind nor the extent of business carried on, is ever likely to require anything like this amount to meet any occasional losses. The amount is altogether excessively disproportionate to the purposes for which a surplus fund is usually applied, and at the same time it tends to give an erroneous view of the profits of the bank. This rest is employed in the business, and yields profits, but it pays no dividends. The profits go to swell the dividend on the capital, and hence the capital appears to yield a profit of

7 per cent. But the dividend of 7 per cent. is not made upon the capital alone, but on the capital and rest together, and hence upon the funds employed it amounts to only about $5\frac{3}{4}$ per cent.

3. THE DEPOSITS.

The Public Deposits are thus classified :—

	£
Exchequer account	2,198,000
For payment of Dividends	315,000
Savings Banks, &c.	501,000
Other public accounts	617,000
	3,631,000

The "Exchequer account" is the current account with the Government, and this account is credited with the amount of the taxes as they are lodged in the bank. In the beginning of January, April, July, and October, this account is debited for the amount necessary to pay the quarterly dividends, and the amount is carried to the credit of the account "for payment of dividends." The balance here standing to the credit of this account is the amount of the dividends that had not then been claimed. The next account is called "Savings Banks, &c." The trustees of the savings banks throughout the country are required to lodge the deposits in the Bank of England to the credit of the Commissioners for the Reduction of the National Debt, who afterwards invest it in the public funds. We do not know what is meant by "&c." nor yet by the "other public accounts." We believe there are certain accounts connected with the Court of Chancery that are required to be kept with the Bank of England; and by the last bankruptcy law, the effects of bankrupts' estates are required to be lodged in some one or other of the branches. These may form the "other public accounts."

The Private Deposits are thus classified :—

	£
Railways	30,000
London Bankers	963,000
East India Company	636,000
Bank of Ireland, Royal Bank of Scotland, &c.	175,000
Other Deposits	5,631,000
Deposits at Branches	1,209,000
	8,644,000

With regard to both the public and the private deposits, a banker would inquire whether they were fluctuating or permanent; whether repayable at fixed periods, or liable to be suddenly withdrawn. He would thus ascertain what proportion could be profitably employed, and what amount should be kept in the till, to meet constant or occasional demands. He would observe on inspection that the balance of the "exchequer account" increases gradually during the quarter, from the receipt of the taxes, until the commencement of the next quarter, when it is largely reduced by the payment of dividends. He will, therefore, provide for these quarterly payments; but his provision will be less ample when informed, that, as the public deposits decline, the private deposits will increase, and more especially those of the London bankers. This is partly in consequence of the bankers holding powers of attorney to receive the dividends due to parties who reside in the country, and partly because the abundance of money caused by the payment of dividends increases their own deposits, and thus enables them to keep for a time larger balances in the Bank of England. We have already said that no rule can be given as to the amount of notes which any banker should keep in his till—the proper amount can be ascertained only by experience. But we should imagine that in ordinary times the deposits in the Bank of England are sufficiently steady to prevent any perplexity

on the subject. We may be asked what we mean by "ordinary times," since now every year differs from its predecessor, and the steadiness and uniformity which heretofore characterized banking and commercial affairs are no longer known. We reply, that by "ordinary times," we mean those times that are the least affected by the foreign exchanges. For some years past it has been the practice to regulate the issue of bank notes by the foreign exchanges. When the foreign exchanges bring gold into the country, bank notes are issued against it, money becomes abundant, and the bank deposits increase. When the exchanges take out gold, the bank notes are diminished, and the bank deposits decline. This system has in a great measure been acted upon by the bank directors since the year 1832, and it is now rigidly enforced by the Act of 1844. These extraordinary seasons of great influx or great efflux of gold appear to be subject at present to no general rules. But at other times there seems to be no reason why the Bank of England should not profitably employ a large portion of her deposits. We may observe, however, that as the bank allows no interest on any of her deposits, she sustains no loss even when they are not employed; but were they to be employed her profits would be greater.

4. With regard to the INVESTMENTS, a banker would inquire first, Are they safe? secondly, Are they convertible?

There seems no ground to question their safety—their convertibility is not so obvious. The Government stock, Exchequer bills, and East India bonds, must be considered in ordinary times, and to a reasonable amount, as strictly convertible. But this is not the case with the Government annuities. They could not be sold in the market; and even by private negotiation, few buyers would be found, except the insurance offices. Even with them the

negotiations would probably occupy considerable time. As to the City bonds, railway bonds, and mortgages, they would in a season of pressure be altogether useless. It may be said, that the bank's capital being so large, a portion may, without inconvenience, be locked up in dead securities. This observation is valid to a certain extent, but not to an indefinite extent, and after giving it due weight, the amount thus invested seems too large.

The annuities form a large portion of the amount of the "Stock and Annuities." The first is an annuity of 585,740*l*., usually called the "Dead Weight," which commenced on the 5th April, 1823, and is to continue for forty-four years from that time. Other annuities arose out of the Bank Charter Act of 1833. The Government were to pay to the bank one-fourth of the permanent debit of 14,686,800*l*. amounting to 3,671,700*l*. At first it was arranged that the bank should receive in payment of this sum, 4,000,000*l*. 3 per cent. reduced annuities; but it was afterwards changed to an annuity for twenty-six years, and will expire in 1860, at the same time as the "Long Annuity."

The bills discounted, and the short loans called "Advances on bills of exchange, exchequer bills, stock, &c." are most legitimate banking investments.

The plan of granting short loans was commenced in 1829, to obviate that tightness in the money market, which was felt for a month or six weeks before the payment of the dividends, through the gathering in of the taxes into the exchequer. The rate of interest charged, was usually about one per cent. less than the discount charged on bills. The loans were repayable to the bank at about the time that the dividends were paid to the public. Notices were issued, stating the rate of interest, and the kind of securities on which loans would be made, and the time of repayment. The first

notice was issued on the 3d of December, 1829, and the practice continued until after the passing of the Act of 1844.

Advances on deficiency bills, are a kind of short loans made to the Government, whenever the taxes are less than sufficient to pay the public dividends. These advances seem to be very legitimate. The bank has one large customer. A customer who keeps large deposits will sometimes require large advances. These advances may peradventure be wanted at a time when it may not be exactly convenient for the banker to make them. All large accounts may at times be attended with some inconvenience. But if a banker takes such accounts, he must make his arrangements accordingly. In the present case, the bank has the advantage of knowing, by the progress of the lodgments on the "Exchequer account," whether such advance is likely to be required.

When the Government requires these advances, the bank must either make them out of her reserve in the till, or sell public securities to obtain bank notes, or restrict her advances to other parties. It is peculiarly unfortunate that the Government is more likely to require these advances in seasons of pressure, inasmuch as in those seasons the taxes are usually less productive and are less punctually paid. Hence the bank may be called upon to make advances to Government at the same time that similar advances are required by the commercial classes. In some cases the bank might not have the means of making advances to both parties. Had the Government required such advances in October 1847, the commercial distress must have been considerably increased.

5. THE RESERVE.—A practical banker would, at first sight, consider this reserve as too large. From the

amount and character of the deposits it would not appear that so large a reserve was necessary, and a portion might well be employed in earning interest instead of lying unproductive in the till. But, before we condemn the bank directors, we must give this matter farther consideration. We have already stated that, even before the passing of the Act of 1844, the directors had been in the habit of issuing their notes against gold and silver bullion; and when a large amount of notes had been thus issued, the deposits in the bank were increased. Now, when this Act came into operation—August 31st, 1844—the bank had in this way acquired a large amount of gold and silver bullion; indeed, she does not ever before appear to have had so large an amount in the whole course of her history. If we look to those years which preceded pressures (for in these years gold on hand is usually large), we shall find that in 1824 the amount was 13,810,080*l.*; in 1836 the highest quotation is 7,801,000*l.*; and in 1838 it is 10,126,000*l.*; but on the 7th of September, 1844, the amount returned in the issue department is, gold 12,657,208*l.* and silver 1,694,087*l.*, while the sum of 9,032,790*l.* was retained in the banking department. Notes, of course, had been issued against all this bullion, and the deposits in the bank had consequently increased. "Well," it may be said, "this will account for the increase of the deposits, but not for the increase of the reserve. Why were not the deposits invested?" We will explain this. There are some classes of investments which the bank directors can make independently of other parties. For instance, they can purchase Government stock, exchequer bills, and railway bonds, just as they please. But, as we have stated, it is not prudent in a banker to invest the temporary increase of his deposits in this way, as, when the deposits are withdrawn, he may

have to sell these securities at a lower price, and thus sustain loss. There are other classes of investments for which the bank is, to a certain extent, dependent on other parties; such, for example, as the discounting of bills and the granting of loans. The bank directors cannot invest their money in these ways unless there are parties willing to receive it. Now, while a portion of the notes issued against gold and silver bullion are lodged with the bank in the form of deposits, another portion, and sometimes the largest portion, do not go into the bank, but are circulated among the public, and soon find their way into the hands of bankers, bill-brokers, and money dealers, who, from the abundance of money, will discount bills and grant short loans at a lower rate of interest than the bank. The bank will, therefore, have no further applications. When her bills and loans fall due, they will be paid, and the amount will go to increase her reserve. Thus it appears that the notes which, in a favourable course of the foreign exchanges, are issued against gold and silver bullion, will tend in two ways to increase the bank reserve; first, by increasing her deposits, and secondly, by diminishing her securities. This will account for the large amount of the reserve. The rule laid down by the directors is, that the reserve should be about one-third the amount of the deposits.

Having given these explanations, we shall now proceed to notice the operations of the banking department of the Bank of England since its separation from the issuing department by the Act of 1844:—

I. The operations of the Banking Department, from the passing of the Act in 1844, to September 5, 1845.

The Act came into operation on the 31st August, 1844, and almost immediately some important changes were

introduced. Up to that date the bank had never discounted at a lower rate than 4 per cent. This rate, in ordinary times, had seldom varied, and all bills discounted at the same time were charged the same rate. But, on the 5th September, the rate of discount on bills was reduced from 4 to 2½ per cent. and on notes to 3 per cent. On the 18th March, 1845, the bank introduced the principle of a *minimum* rate of discount; fixing 2½ per cent. as the rate on first-rate bills, and charging a higher rate on other bills. The object of these changes was to employ a portion of the reserve in the discount of bills.

This line of conduct was by no means unwarranted by the practice of "other banking concerns." It is an established principle in practical banking, that a banker, when he cannot employ his surplus funds at so high a rate of interest as he wishes to obtain, should employ those funds at a lower rate, rather than keep them unemployed in his till. And it is also an established practice to charge different rates of discount on different bills, according to the class or character of the bills—the respectability of the parties—the time they have to run—and a variety of other circumstances. In adopting these regulations, therefore, the directors were only performing the work assigned to them, of conducting the banking department "like any other banking concern issuing Bank of England notes."

These changes gave rise, in the parliamentary committees of 1847, to some discussion upon the question as to whether the Bank of England governed the market-rate of interest; or the market-rate of interest governed the bank-rate? There can be but little difference of opinion upon this subject. The "market-rate" of interest is the rate which bankers and bill-brokers charge for discounting first-class bills to the public. When the foreign exchanges are bringing gold into the country, and notes are issued

against this gold, the abundance of money in the hands of the bankers and bill-brokers causes the market-rate of discount to fall below the bank-rate. If during this season the bank charges a high rate, she gets but few bills. On the other hand, when gold is going out of the country, and money becomes scarce, the market-rate is higher than the bank-rate. If during this period the bank charges a low rate, she must soon limit her discounts, or her reserve will be exhausted. But, though the bank cannot change the course of the current, she can give it increased strength. Though she cannot make money dear when it is cheap, nor cheap when it is dear, yet when it is cheap she can make it cheaper, and when it is dear she can make it dearer. Hence, every alteration in the bank-rate has always an immediate influence on the market-rate.

Such was the case in September, 1844. The large importations of gold had reduced the market-rate of discount to 2½ per cent. while the bank charged 4 per cent. But when the bank reduced her rate to 2½ per cent. the market-rate went down to 2, and even to 1½ per cent. To engage actively in discounting bills was a new feature in the bank management. In 1832 the then governor stated to the Committee of the House of Commons, that he thought the bank should be a bank of circulation and of deposit, and only *occasionally* a bank of discount. But the Act of 1844 placed the bank in a new position, and led to the adoption of new principles. Formerly the bank had invested her surplus funds in Government securities. But when she purchased, the price advanced; and when she sold, the price fell. This produced a fluctuation inconvenient to the public. Often, too, she purchased when the price was high, and sold when the price was low: and thus sustained loss. It was therefore deemed preferable to invest a portion of her reserve in the discount of bills.

The sums thus invested would return as the bills fell due, and the reserve could at any time be strengthened by checking the discounts.

The directors having determined to invest a portion of their funds in discounts, it became necessary to reduce their rate of interest to nearly the market-rate, or they would have got no bills.

An eminent London banker, distinguished by his support of the Act of 1844, says—"If the bank is to continue as a large discounting body, (of the expediency of which I entertain considerable doubts,) I think it very desirable that its rate of interest should conform to the real market value of money."* The directors seemed to think it necessary that they should in some way employ their reserve, in order to prevent the too great accumulation of bank notes in the issue department.† We here give no opinion as to the best way of employing the bank's reserve, but we are quite ready to admit, as the governor admits in reply to a question, that "the true principles of banking are, first, that a bank shall never place itself in such a position as that it shall be unable to meet its liabilities; and next that it shall employ the whole of its resources at the greatest profit that it can with reference to prudence, looking to its reserve."‡

In thus coming into competition with the money dealers, reducing the rate of interest, exciting a feverish state of feeling in the public mind, and giving facilities to the formation of companies for speculative purposes, the bank directors are accused of having violated their public duties as the bank of the Government, and thus sacrificed the interests of the nation to the interests of their proprietors. We shall not meddle with this question. We have here nothing to do with the PUBLIC duties of the bank directors.

* Lords, 1632. † Commons, 3009. ‡ Commons, 372[illegible].

We are considering the banking department as "any other banking concern." Generally speaking, Providence has so constituted human society that all banking companies, and all individuals too, will most effectually promote the public interests when by honourable means they promote their own. If this is not the case with the Bank of England, it must have arisen from the acts of the Legislature; and the fact—if it be a fact—is presumptive evidence against the wisdom and the justice of those laws by which she was placed in that position.

At the close of this period we find that the London discounts had increased from 113,000*l.* to 2,365,000*l.* and the "City Bonds, &c." had increased from 3,357,000*l.* to 4,009,000*l.*, owing, it is presumed, to the purchase of railway debentures. The circulation of the issuing department had increased from 28,351,295*l.* to 28,953,300*l.** and the minimum rate of interest charged by the bank was 2½ per cent.

II. The Administration of the Banking Department from September 6, 1845, to September 5, 1846.

During this period there were three alterations in the minimum rate of interest. On October 16, 1845, it was raised from 2½ to 3 per cent.; on November 6th to 3½ per cent.; and on August 17, 1846, it was again reduced to 3 per cent. In fixing the rate of discount, the directors took into account the amount of bullion in the issue department, the reserve in the banking department, and the amount of the discounts. The amount of bullion virtually regulated the other two; and thus the interest was governed by the foreign exchanges. At the same time, the directors, as practical bankers, would pay the greatest attention to their reserve, as it was only from this source that any advances could be made. Hence, sometimes one

* See the Returns at the end of this Section.

object of raising the rate of discount was to diminish the number of applications. It was thought better to protect the reserve by raising the rate, than by positively refusing to discount.

In the beginning of 1846 a circumstance occurred which increased both the deposits and the discounts of the bank, and added greatly to her profits. The railway companies who were desirous of obtaining Acts of Parliament to authorize the construction of their lines, were required to pay into the Bank of England, within fourteen days after the meeting of Parliament, 10 per cent. on the estimated amount of their capital—to be returned when the company had obtained the Act, or when the application had been rejected. Everybody wondered beforehand how so large a sum could be paid out of the amount of notes then in circulation. But the bank acted with the railway deposits as she had been accustomed to act with the public deposits previous to the payment of dividends. As fast as the money came in, it was lent out, and thus a transaction of large magnitude was effected without much difficulty. This shows the importance of a Government bank. Had the deposits been required to be lodged in the exchequer, and there to remain until reclaimed by the railway companies, the operation could not have been effected. The bank could have performed it with greater facility previous to the passing of the Act of 1844. She could then have lent out her notes *before* the lodgments were required to be made; there would have been no previous apprehensions, nor any tightness during the operation.

III. The Administration of the Banking Department from September the 5th, 1846, to September the 4th, 1847.

In September, 1846, the minimum rate of discount was

3 per cent. On January the 14th, 1847, it was raised to 3½ per cent., and on the 20th of the same month to 4 per cent. On April the 8th to 5 per cent., and on the 5th of August to 5½ per cent.

During the whole of this period the foreign exchanges were unfavourable, and the circulation of the issuing department declined from 29,760,870*l.* to 22,396,845*l.** This was attended by a decline in the reserve of the banking department and an increase in the amount of loans and discounts.

The bank directors did not raise their rate of discount above 3 per cent. until the month of January, 1847. For this they have been severely censured by parties who have had the advantage of not being compelled to form any opinion until after the result was known. The month of April was an important month. From the deficiency of the harvest, large importations of corn took place. These imports were paid for in gold, which was suddenly withdrawn from the issue department, for exportation.

Contemporaneous with this export of gold, the Government required to borrow 3,500,000*l.* upon deficiency bills in order to pay the dividends. Under the old system this might not have been a matter of much importance, but the case was different under the Act of 1844. The banking department was rather in danger of getting into what the Americans call "a fix." To avoid this "fix," the directors raised the rate of discount to 5 per cent.; they refused to lend money even upon exchequer bills; they limited their discounts; and they borrowed 1,275,000*l.* on consols. These measures caused a severe pressure on the money market, but it soon subsided. From this period the foreign exchanges were favourable to this country.

* By deducting 14,000,000*l.* from this sum, we see the amount of gold and silver bullion on hand in the issue department.

The operations of this month of April, 1847, have given rise to much discussion.

The advocates of the Act of 1844 have pointed to the transactions of this month to prove that the management of the issue department cannot be safely entrusted to the bank directors. They say that if the bank had advanced its rate of interest they might have prevented the unfavourable course of exchange, and consequently have avoided the pressure which then occurred. On the other hand, it has been stated that the bank ought to be guided in its rates of interest by the amount of its reserve—that from November, 1846, to April, 1847, the reserve was above one-third of its deposits, a greater reserve than any other bank would think it necessary to keep—that the demand for gold was so sudden, and for so large an amount, that no ordinary rules could have prevented it; and even had it been prevented, it might have been injurious to the country, as it would have checked the importation of corn which was then required in consequence of the deficiency in the harvest. There can be no doubt that, under the Act of 1844, a sudden exportation of gold must cause a sudden contraction of the amount of notes in circulation. This "self-acting machine" acts by jerks, like a steam-engine without a fly-wheel; and its advocates look to the banking department to supply the fly-wheel, and to cause the machine to move smoothly and equably. It may be doubted whether the banking department has the power of doing this. But when this is not done, the advocates of the Act throw the blame upon that department. They resemble the court preceptor, who, when the royal pupil did anything wrong, inflicted the beating on his fellow-student. If on this occasion the bank did wrong, it may be feared that it was her court connexion which led her astray.

The Government were then negotiating a loan of eight millions for the relief of Ireland. And "there was a feeling in the court that, in the face of the Government negotiating a loan, it would be an act of want of courtesy to put up the rate of interest immediately."* In the secret history of the Bank of England we may possibly find other instances of similar faults. But if on the present occasion she was influenced by such considerations, she did not act "like any other banking concern."

The events of April, 1847, also lead us to remark that the London bankers never vary their rate of discount with a view to regulate the foreign exchanges. If it behoves the banking department to do this, it has certainly to perform duties which are not considered to belong to "any other banking concern." Nor do the London bankers suddenly and abruptly stop discounting for those customers in whom they have confidence. The frequent occurrence of such suspension of loans and discounts as occurred in April, 1847, would form an insuperable barrier to the banking department ever acquiring that kind of business which is carried on by the London bankers. No merchant would like to depend on such a bank for the means of making his daily payments. We believe, however, that most mercantile firms that have a discount account with the Bank of England have another banking account elsewhere, and some have also accounts with the large bill-brokers.

The pressure that existed in April, 1847, has been attributed to the publication of the amount of the bank's reserve. It was said, and said truly, that the bank might very prudently reduce her reserve for a few days below the average amount, knowing that by bills falling due, or by other means, she would soon receive a sum that would

* Commons, No. 3001.

replenish her coffers. But the public, seeing only the amount of the reserve, and knowing nothing of the sums about to be received, might become unnecessarily alarmed, and hence a panic might ensue. Upon this ground, some parties questioned the policy of publishing the bank accounts in their present form. But the remedy for this is not to suppress the returns, but to circulate throughout the community such an amount of knowledge as shall enable them to judge accurately respecting banking affairs. Other parties, of a higher class than those we denominate the public, have fallen into erroneous opinions by a literal adhesion to these returns. Almost up to the time of the suspension of the Act of 1844, it was contended by some who "sit in high places" that there could be no pressure on the commercial classes, since there were THEN more notes in the hands of the public than in former seasons when no pressure existed. And before the Parliamentary Committees of 1847 it was stated by the governor and deputy governor, that it could make no difference to the public whether the bank advanced three millions, or any other sum, to the Government on deficiency bills, or advanced the same sum in loans and discounts to the commercial classes, inasmuch as the returns would show that the amount of notes in circulation would be the same. The events that followed the suspension of the Act showed the fallacy of these opinions. It was shown that the amount of notes in the hands of the public is not of itself a certain criterion by which to judge of the amount of banking facilities enjoyed by the commercial classes.

IV. The Administration of the Banking Department from September, 1847, to September, 1848.

During this period the minimum rate of interest was advanced from $5\frac{1}{2}$ to 6 per cent. on the 23d of September;

to 8 per cent., by authority of the Government letter, on the 25th of October. It was reduced to 7 per cent. on the 22d of November; to 6 per cent. on the 2d of December; to 5 per cent. on the 23d of December; to 4 per cent. on the 27th of January, 1848; and to 3½ per cent. on the 16th of June.

At the commencement of this period a great number of commercial houses failed, not only in London, but also in Liverpool and Glasgow, and other large places. The following is the account given by the Governor of the bank to the Committee of the House of Lords:—

"An unprecedented large importation of food, caused by a deficient harvest, required in payment the export of a large amount of bullion, to the extent of about 7,500,000*l.*, from the coffers of the bank, and probably not less than 1,500,000*l.* from other sources,—together 9,000,000*l.* From this great reduction in the available capital of the country, in addition to the still larger amount invested in railway expenditure, acting suddenly upon a previous high state of credit and excessive speculation, arose the pressure in the money market. There was an abstraction of 7,500,000*l.* from the bullion held by the bank, and consequently a diminution in the notes to that extent." *

During this period the bank acted with great liberality. The following is a list of the advances made between the 15th of September and the 15th of November:—

"1. The Bank of England being applied to by a very large firm in London, who had at that time liabilities to the extent of several millions sterling, advanced 150,000*l.* on the security of debentures to that amount of the Governor and Company of the Copper Miners in England, and thereby prevented them from stopping payment; it was distinctly understood that the operation was for that purpose. 2. The bank advanced 50,000*l.* to a country banker on the security of real property. 3. On the urgent representations of several parties of the first importance in the city of London, the bank advanced 120,000*l.* to the Governor and Company of the Copper Miners, on the guarantee of approved names, taking at the same time a mortgage on the Company's property for 270,000*l.* to cover this sum, and the amount of 150,000*l.* debentures before advanced upon; it was stated that the stoppage of this company would have thrown 10,000 people out of employment. 4. The bank

* Lords, 12.

advanced 300,000*l.* to the Royal Bank of Liverpool, on the security of bills of exchange, over and above their usual discounts to this bank; this advance unfortunately proved inadequate, and the Royal Bank, having no more security to offer, stopped payment. 5. The bank assisted another joint-stock bank in the country with 100,000*l.*, on the security of bills of exchange, over and above usual discounts. 6. The bank advanced 130,000*l.* on real property to a large mercantile house in London. 7. The bank advanced 50,000*l.* to another mercantile house on the guarantee of approved names. 8. The bank advanced 50,000*l.* to a joint-stock issuing bank on bills of exchange, and agreed to open a discount account with the said bank, on condition that it should withdraw its issues, but the joint-stock bank stopped payment before the arrangement could be completed. 9. The bank advanced 15,000*l.* on real property to a large establishment in London. 10. The bank assisted, and prevented from failing, a large establishment in Liverpool, by forbearing to enforce payment of upwards of 100,000*l.* of their acceptances, and engaging to give further aid if required. 11. The bank assisted a very large joint-stock bank in the country with advances on loans on bills of exchange to the extent of about 800,000*l.*, over and above usual discounts. 12. The bank advanced 100,000*l.* to a country banker on real property. 13. The bank advanced a joint-stock bank in the country 200,000*l.* on the security of local bills, besides discounting 60,000*l.* of London bills. 14. The bank assisted another joint-stock bank in the country with an advance of 100,000*l.* on local and London bills. 15. The bank advanced 100,000*l.* to a large mercantile house in London, on approved personal security. 16. The bank assisted a large house at Manchester to resume payment by an advance of 40,000*l.* on approved personal security. 17. The bank advanced 30,000*l.* to a country bank on real property. 18. The bank assisted many other houses, both in town and country, by advances of smaller sums on securities, not admitted by the bank under ordinary circumstances; nor did the bank, during the period in question, reject at their London establishment any one bill offered for discount, except on the ground of insufficient security." *

Some of these advances were not made till after the appearance of the Government Letter on the 25th of October. Up to that date the efforts of the bank were inadequate to allay the pressure, while they largely reduced the bank's reserve. On Saturday, the 23d of October, a deputation from the London bankers waited

* Commons, 2645.

on the Government, who then determined to suspend the Act of 1844; and on the same day gave intimation of their intention to the Bank of England. On Monday morning, a letter appeared from Lord John Russell and the Chancellor of the Exchequer authorizing the directors of the Bank of England to enlarge their discounts and advances, and promising that if by so doing the existing law should be infringed, the Government would apply to the Legislature for a bill of indemnity. The letter suggested that these advances should not be made at a lower interest than 8 per cent. The effect of this letter was immediate. Confidence was restored, the hoarded notes were brought into circulation, and discounts were everywhere readily obtained. From these causes no infringement of the Act took place.

The state of the bank reserve at the date of the suspension of the Act occupied the attention of the Parliamentary Committees. On Saturday, the 23d of October, the notes on hand amounted to 1,547,270*l.*, and the coin to 447,246*l.* This, it should be remembered, was the amount at the London office and at the thirteen branches put together. At the same time the public deposits were 4,766,000*l.*, and the private deposits 8,581,000*l.*, of which 1,615,000*l.* belonged to the London bankers. The questions put to the governor on this subject seemed designed to show that the bank, so far from being able to assist others, was not in a condition to meet her own engagements. But the governor contended that the amount of the reserve should be taken on the Friday night, before they were acquainted with the intention of the Government to issue their letter. The reserve then was 2,376,000*l.* The directors had from 2,000,000*l.* to 2,500,000*l.* of stock which they could have sold, and a large amount of the bills they held fell due in the following week. From these

sources they would easily have increased their reserve. On the other hand, some of the witnesses declared that no large amount of stock could have been sold, and that, had a run taken place on the London bankers, such as that which had taken place on the banks at Newcastle, the bankers' deposits must have been withdrawn, and the Bank of England itself might have been placed in jeopardy.

As we have considered in a previous Section the operation of the Act of 1844, it is not necessary to pursue this subject any further. After the Government letter was issued, the bank still continued to make advances with caution, and, with the view of not infringing the Act, they borrowed money on the Stock Exchange at seven per cent., though they had the unlimited power of issuing notes.

Soon afterwards the gold began to return, and money became abundant. From the high rate of interest, the amount imported was large; and from trade having been paralyzed by the pressure, the demand for it was very small. As the gold increased, the bank rate of interest was reduced. By September 2d, 1848, the circulation of the currency department amounted to 26,883,505*l*., and the bank reserve to 9,410,952*l*.

The following is a copy of the Official Returns for the four years that have passed under review. To show the farther progress of the bank since September, 1848, we have added the Returns for the week ending the 2d of February, 1849:—

BANK OF ENGLAND WEEKLY RETURNS.

Account, pursuant to the Act 7th and 8th of Victoria, cap. 32, for the weeks ending as follows:—

ISSUE DEPARTMENT.

	1844, September 7th.	1845, September 6th.	1846, September 5th.	1847, September 4th.	1848, September 2nd.	1849, February 2nd.
	£	£	£	£	£	£
Notes Issued	£28,351,295	£28,953,300	£29,760,870	£22,396,845	26,883,505	28,330,845
Government Debt	11,015,100	11,015,100	11,015,100	11,015,100	11,015,100	11,015,100
Other Securities	2,984,900	2,984,900	2,984,900	2,984,900	2,984,900	2,984,900
Gold Coin and Bullion	12,657,208	12,982,591	13,057,997	7,373,815	12,177,567	13,828,773
Silver Bullion	1,694,087	1,970,709	2,702,873	1,023,030	705,938	502,072
	£28,351,295	£28,953,300	£29,760,870	£22,396,845	£26,883,505	£28,330,845

Banking Department.

	1844, September 7th.	1845, September 6th.	1846, September 5th.	1847, September 4th.	1848, September 2nd.	1849, February 2nd.
	£	£	£	£	£	£
Proprietors' Capital	14,553,000	14,553,000	14,553,000	14,553,000	14,553,000	14,553,000
Rest	3,564,729	3,608,180	3,864,479	3,986,593	3,826,382	3,576,625
Public Deposits (including Exchequer, Savings' Banks, Commissioners of National Debt, and Dividend Accounts)	3,630,809	6,474,705	7,318,919	7,722,704	5,021,591	3,922,307
Other Deposits	8,644,348	8,507,213	8,557,109	6,791,373	8,824,607	11,328,544
Seven-day and other Bills . . .	1,030,354	1,021,689	935,830	842,711	1,016,921	1,144,824
	£31,423,240	£34,164,787	£35,229,337	£33,896,381	£33,242,501	£34,525,300
Government Securities (including Dead WeightAnnuity)	14,554,834	13,468,643	12,961,735	11,636,340	12,462,735	13,882,267
Other Securities	7,835,616	11,967,081	12,523,550	17,508,119	11,368,814	10,314,654
Notes	8,175,025	8,255,505	9,231,095	4,189,830	8,784,795	9,553,460
Gold and Silver Coin	857,765	473,558	512,957	562,092	626,157	774,919
	£31,423,240	£34,164,787	£35,229,337	£33,896,381	£33,242,501	£34,525,300

We have thus taken a review of the first four years of the proceedings of the Banking Department of the Bank of England. Whatever may be the future operations of that department, this portion of its history will always be interesting. This period is remarkable also as containing one of those monetary cycles to which we must always be liable as long as our currency is regulated by the Act of 1844. Each year has a peculiar character. The first commenced at a period of full currency—money was abundant and cheap, the minimum of the bank rate being $2\frac{1}{2}$ per cent. In the second year the exchanges fluctuated, and the rate of interest fluctuated also. During the whole of the third, the exchanges were unfavourable—gold was exported, and the rate of interest advanced. At the commencement of the fourth year came the pressure; then a favourable course of exchange brought back the gold, the rate of interest was reduced, and again money became abundant.

This period is moreover important as an indication of the principles on which the banking department will hereafter be governed. The governor and deputy-governor were examined before the parliamentary committees in March, 1848. They stated that they approved of the reduction of interest in September, 1844; but they expressed regret that the bank had not advanced the rate of interest in November, 1846, and that they suffered the reserve to fall so low in October, 1847. Should these sentiments be acted upon in future, we may expect that the "banking department" will reduce its rate of interest as heretofore; but when money becomes scarce, it will advance its rate at an earlier period, and be less liberal in making advances.

The following question was put to the governor by a member of the Committee of the House of Commons:—

"You have described as part of the operation of the Act of 1844, that you were during the year 1847 obliged to lend consols instead of notes, on account of the limit prescribed by the Act,—that you borrowed on consols in April,—that you were obliged to raise the rate of interest to 9 per cent.—that you refused loans on exchequer bills, —that there was a pressure in April and a panic in October,—and that Government were obliged to interpose by a letter, in order to protect the public from the restrictive effects of the Act—Do you call that a satisfactory history of any system?" *

We must, however, distinguish between "the system" as established by the Act of Parliament, and the administration of the banking department in consequence of the establishment of that system. We have given in the preceding section our opinion of the system. But the administration of the Banking Department of the Bank of England under the system has, in our sober judgment, been distinguished by a high degree of both wisdom and liberality.

The administration of the banking department since September, 1848, does not call for any particular remark. We have had the usual indications of the first stage after a panic. The bullion in the issue department has increased from 12,883,505*l.* to 14,330,845*l.* The notes in reserve from 8,784,795*l.* to 9,553,460*l.* Money has been abundant, and the rate of interest low. On the 2d November, 1848, the bank reduced the minimum rate of discount to 3 per cent. This would probably have been done at an earlier period but for the political aspect of the continent. The same reason possibly has induced the directors to maintain the same interest to the present time (February, 1849), although this appears to be an abandonment of the principle adopted in the year 1844.

* Commons, 3450.

SECTION X.

THE ADMINISTRATION OF JOINT-STOCK BANKS, WITH AN INQUIRY INTO THE CAUSES OF THEIR FAILURES.*

THE chief points in which a joint-stock bank differs from a private bank are,—the number of its partners—the permanency of its capital—and the form of its government. A private bank has not more than six partners: a joint-stock bank may have a thousand partners. If a partner in a private bank die, or become insolvent, his capital is withdrawn from the bank: in the case of a partner in a joint-stock bank, his shares are transferred, and the capital of the bank remains the same. In a private bank all the partners may attend to its administration: a joint-stock bank is governed by a board of directors. The business principles on which these two kinds of banks are administered are the same, and the observations of the preceding sections will equally apply to both. The topics, therefore, to which we shall in this section more particularly direct our attention will be those that have a special reference to the constitution of joint-stock banks. We shall describe these banks as they now

* In this section I have copied largely from my History of Banking in America; but in transcribing from such of my writings as I do not intend to reprint in their present form, I have not always thought it necessary to introduce the marks of quotation.

exist, and then notice those modifications which are imposed on new banks by the "Act to regulate Joint-stock Banks,"* passed in the year 1844. After the 6th May, 1844, it was not lawful for any new company of more than six persons to carry on the trade or business of bankers *in England*, unless by virtue of letters patent to be granted by her Majesty according to the provisions of that Act.

I. All joint-stock banks have a certain amount of paid-up capital.

The payment of a certain portion of the capital before the commencement of business, is a pledge that the project is not a mere bubble, and this is especially necessary when the proprietors have no farther liability. But even with unlimited liability a certain amount appears to be necessary. The employment of capital judiciously is sometimes a means of acquiring business; and in case of loss there should always be a sufficient capital to fall back upon without recurring to the shareholders.

There is an evil in a bank having too small a capital. In this case, the bank will be but a small bank; the number of proprietors will be few, and the number of persons eligible to be chosen directors will be few; hence there will not be the same guarantee for good management. If a bank with a small capital have also a very small business, it had much better cease as an independent establishment, and become the branch of a larger bank. If, on the other hand, it has a large business, with a large circulation, large deposits, and large loans or discounts, its losses will sometimes be large, and hence the whole capital may be swept away. It is true, that while it avoids losses the shareholders will receive large dividends, but these large profits had much better be left in the bank as an addition to its capital than shared among the pro-

* 7 and 8 Vict. cap. 113.

prietors in the form of dividends. There is danger too that the high premium on those shares may induce many shareholders to sell out and form other, and perhaps rival establishments.

On the other hand there is an evil in a bank having too large a capital. In this case, as the capital cannot be employed in the business, the directors are under the temptation of investing it in dead or hazardous securities for the sake of obtaining a higher rate of interest; perhaps too they may speculate in the funds, and sustain loss. Hence it is much better that a bank should commence business with a small capital, and increase the amount as the business may require.

It is difficult to state in all cases what proportion a capital ought to bear to the liabilities of a bank. Perhaps the best criterion we can have, is the rate of dividend, provided that dividend be paid out of the business profits of the company. When we hear of a bank paying from 15 to 20 per cent. dividend, we may be assured that the capital is too small for the business. The liabilities of the bank, either in notes or deposits, must far exceed the amount of its capital. As a general maxim, the greater the capital the less the dividend. Let the whole capital be employed at any given rate of interest, say 3 per cent., then the capital raised by notes or deposit, produce, after paying all expenses, a certain sum as profit. Now, it is evident that if this amount of profit be distributed over a large capital, it will yield a less rate per cent. than when distributed over a small capital. Sometimes however a large capital may have increased the rate of dividend, in consequence of having been the means of acquiring a large increase of business. It may have done this in consequence of inspiring the public with confidence in the bank, and thus inducing them to make lodgments or circulate

its notes; or it may have enabled the bank to make large advances, and thus gained the support of wealthy and influential customers.

Although the proportion which the capital of a bank should bear to its liabilities may vary with different banks, perhaps we should not go far astray in saying it should never be less than one-third of its liabilities. I would exclude, however, from this comparison all liabilities except those arising from notes and deposits. If the notes and deposits together amount to more than three times the amount of the paid-up capital, the bank should call up more capital. It may be said, that the bank is liable also for its drafts upon its London agents, and for the payment of those bills which it has endorsed and re-issued: admitted; but in both these cases, the public have other securities besides that of the bank.

Presuming that banks are to commence with a moderate amount of capital, and to increase that amount as the business increases, the question is suggested, what is the best way of increasing the capital? The English banks have followed two ways of doing this; one, by a further issue of shares; and the other, by further calls upon the existing shareholders. The capital of all the joint-stock banks in England is divided into certain portions, called shares; each proprietor holds a certain number of these shares, and pays a certain sum upon them. If he wishes to transfer a portion of his capital he cannot transfer a half share or a quarter share, but must transfer a whole share, or a certain number of shares. Thus, if the capital of a bank be 500,000*l.* it may be divided into 5,000 shares of 100*l.* each, or 50,000 shares of 10*l.* each, and a certain proportion of the amount of each share will be paid up; and this proportion is called the real or the paid-up capital. Thus, if one tenth of the

above capital is paid up, then 50,000*l.* will be the real or paid-up capital, and 500,000*l.* will be called the nominal capital. In the chartered banks, on the other hand, there is usually no nominal capital, and the real capital is not divided into shares or portions, but any fractional sum may be transferred. The capital is then called stock. When there is no nominal capital, nor any way of increasing the amount of the real capital, this is the best way. But, in the other case, it is more convenient to have the capital divided into shares.

Some persons have objected altogether to a nominal capital; but their objections have been directed more to the misrepresentations that may attend it, than to the thing itself. They say, "a bank announces that it has a capital of 500,000*l.*, whereas few shares are issued, and but a small sum is paid on each share; hence people are misled, and the bank acquires a confidence which it does not deserve." The objection here is against representing the nominal capital to be paid-up capital; it does not bear upon the principle of a nominal capital. In fact, we are misled by words. What is called nominal capital is nothing more than a farther sum, which the directors have the power of calling up. If this sum had not been called capital, it would not be objected to, as it could lead to no misapprehension. But the inquiry simply is, ought the directors to have the power of calling upon the shareholders for a farther amount of capital beyond that already paid up? Were they not to have the power, the bank would at its commencement probably have too large a capital, and after its business had advanced would have too small a capital. And if the bank by any unforeseen occurrence became involved, and should have occasion for further sums to extricate itself from its difficulties, it could not make any further call upon its shareholders, although

a very small advance might prevent its utter ruin. In case of a very large capital, such as two or three millions, a nominal capital may not be necessary, as so large a sum is likely to be in all cases amply sufficient. But in banks of a second class, it will always be best to give the directors the power of making further calls upon the shareholders.

The second way of increasing the capital of a bank, is, by the issue of new shares. The whole amount of shares to be issued is fixed in the first instance, and the bank commences as soon as a certain proportion has been issued. If the bank was not allowed to commence business until the whole of the shares were taken, a small amount would be fixed upon, and the bank would be proportionably weaker. But by beginning with a small number of shares, you have capital enough for your business, and you acquire more as you proceed. Many persons will join a bank after it is established who would not take shares at the commencement. Some shares are therefore reserved for persons of this description; and as the shares are more valuable when the success of the undertaking is no longer doubtful, they are often given out at a premium, and always a greater degree of caution is exercised as to the persons to whom they are distributed.

Some members of the parliamentary committee of 1836, appear to have an objection to shares of a small amount; they apprehend that these shares are taken by an inferior class of persons; and hence the body of proprietors are less respectable. But it would appear from the returns, that the general effect of small shares is, that each shareholder takes a greater number. Thus in the banks of 100*l.* shares each proprietor has taken upon an average twenty-eight shares, on which he has paid the sum of 444*l.* In the banks of 20*l.* shares, each proprietor has taken

forty-three shares, and paid 359*l.* In the banks of 10*l.* shares, each proprietor has taken fifty-two shares and paid 400*l.* While in the only bank of 5*l.* shares, each proprietor has taken 117 shares, and paid 585*l.* It appears to me that the chief objection to which small shares are liable is, that they do not admit of a large amount of nominal capital. The banks of 5*l.* and 10*l.* shares have usually the whole capital paid up, and hence in case of necessity the directors have no power to call for a further amount. Could the Northern and Central Bank have made a call upon their shareholders of 5*l.* per share, this bank might have been saved from destruction.

According to the new Act above referred to, no bank can now be formed with a less capital than 100,000*l.*; and the shares must not be less than 100*l.*; of which 10 per cent. must be paid up before the signing of the deed of settlement; and all the shares must have been subscribed for, and half the amount paid up, before the bank commences business.

II. Joint-stock banks are governed by a board of directors.

"The directors are chosen from among the shareholders at a general meeting—the pecuniary qualification being that they hold a stipulated number of shares in the company.

"There are several points of view in which a man becomes eligible as a director of a bank, independent of his qualification as the holder of the required number of shares. Indeed, his qualification as a shareholder, merely, must not be taken into the account.

"1. He ought, in the first place, to be a man enjoying public confidence. Unless he is a man whom the community contemplate as deserving of their confidence and esteem, it is not presumable he can be of much service to

the bank, either by his influence or character. The public are not likely to deposit their money in an establishment where they cannot place the fullest reliance upon the directors; and, for the same reason, parties of respectability will not readily be induced to open accounts with the bank.

"2. He ought to be a man possessing a knowledge of commercial business. It is a matter of great importance to the satisfactory and efficient management of a bank, that those to whom is entrusted the direction of its affairs, be in some measure conversant with the ordinary affairs of trade. Men who are retired from business are unquestionably the most eligible, not merely from their business knowledge, but because they are not apt to be contemplated with that suspicion, jealousy, and distrust, which tradesmen will sometimes exercise towards such directors of a bank as are likewise engaged in trade. But retired men of business are not readily to be had as directors of a bank, nor are they in most cases disposed to accept of such an office. Where such is the case, men of high standing and character, engaged in trade, should be sought for.

"3. A bank director should be a man of strict integrity and uprightness. This is a qualification perfectly indispensable to the welfare of the bank. He must be above all trafficking in the stock of the company, or taking any undue advantage over the other shareholders through his intimate knowledge of the state of their affairs as regards the bank. He must never for a moment forget, that while he is a partner in the concern, and as an honest man, is bound to conduct it in as faithful and diligent a manner as he would his own private affairs, that he is at the same time appointed to a solemn trust, in having the interests of numerous others, equally interested with himself, under his management and control. In fact, unless

the director of a bank is a man of strict integrity, he is placed in a position calculated to be productive of great mischief. He is invested with power to ruin the fortunes of others, and to inflict much commercial evil upon the community. Where there is a want of integrity, there is a want of principle, and the bank must necessarily be mismanaged.

"4. A bank director should be a man of influence and respectability. He ought to be a man well known and respected in the district. Such a man is desirable in a variety of ways. He adds his own personal respectability to the establishment, and he influences the favour and support of his friends and acquaintances. His standing in society gives the public confidence in the establishment with which he is connected—and they bring their money and business to its support; the paper of the bank becomes more readily current in the district, and the weight of his influence destroys any suspicion of its stability.

"5. A bank director should be in good pecuniary circumstances. It would be a most wholesome regulation, were it stipulated in all deeds of settlement, that no bank director should be privileged to overdraw his account. The great facilities which directors enjoyed of raising money from overdrawing their bank accounts, have, in some instances, resulted in extensive commercial disasters, and in the total wreck of large establishments. The temptation to speculations of all descriptions which such facilities hold out, necessarily increases the risk of the bank, and induces a less rigid inspection of the accommodation afforded to other customers. Where those who are entrusted with the management of the bank forget the extent and importance of the trust reposed in them, and begin to enter into unwarrantable speculations with the funds committed to their care, it is not supposable that

they will be particularly scrupulous as to the general management of the affairs of others.

"6. A bank director should be one who can bestow some attention upon the affairs of the establishment. It has appeared in evidence that gentlemen have been appointed, and have accepted the office of directors of banks, who gave little or no attention to the affairs; who, in fact, appear to have considered that the office of director was conferred on and accepted by them, more for the purpose of complying with the letter of the deed of settlement, which enjoined the appointment of a certain number of directors, than from any idea of their being expected, or of its being necessary for them to know anything regarding the management. The consequence of this has been, that the duties which the shareholders devolved upon, perhaps, six individuals, were confined to two, or possibly only one, and the others approving, without suitable knowledge or proper inquiry, of all their acts, the mass of shareholders, as well as an extensive commercial circle, have been involved in the disastrous results of mismanagement. It is altogether an anomaly that any man, or body of men, should have the credit, honour, and distinction of being managers and directors of a bank, and yet not exercise any of the active functions and important duties that relate thereto. Upon what principle can they undertake, as by accepting the office they unquestionably do, to discharge a solemn trust, in faithfully administering the affairs of a bank, into which they make it no part of their business to look? Were the fact not very well known, it would seem absurd; yet it is not the less absurd that it is known." *

* These observations are taken from the "Philosophy of Joint-Stock Banking," by G. M. Bell. (Longman.) I recommend the perusal of this little work to all directors and managers of joint-stock banks.

Mr. Taylor, in his "Statesman," makes the following observations upon the *age* of members of public boards:—

"Boards, or other co-operative bodies, should be so formed that youthfulness and elderliness may meet in due proportion in their counsels. If any such body be wholly composed of elderly men, it will commonly be found to be ineffective, so far as invention of new courses, and intrepidity of purpose is required; and perhaps, also, unequal to any unusual amount of spontaneous activity. If, on the other hand, it be composed wholly of young men, its operations will probably be wanting in circumspection; and the foresight by which it will be guided will be too keenly directed to the objects of a sanguine expectation—too dully to prospects of evil and counteraction. The respective positions in life of the young and the old operate to these results not less than their temperaments; for the young have their way to make—their reputation to earn—and it is for their interest to be enterprising, as well as in their nature; the old have ascertained their place in life, and they have, perhaps, a reputation to lose."

The new Act requires that provision shall be made in the deed of partnership "for the retirement of at least one-fourth of the directors yearly, and for preventing the re-election of the retiring directors for at least twelve months."

III. Joint-stock banks have a principal officer, called a manager.

"The prudent and satisfactory management of a Joint-stock bank very materially depends upon the upright and consistent discharge of those social duties and reciprocal interchanges of confidence which ought to characterise the directors and manager.

"The manager, from his experience, and the importance of the office he fills, is entitled to the kind consideration and entire confidence of the directors. He is selected by them to occupy an arduous and highly responisble situation, and ought to be rewarded not merely with an adequate pecuniary remuneration, but with the respect

and friendship of the directors, by whom he should be considered in every respect, so far as regards the bank, at least upon an equally elevated footing. Without the confidence and friendship of the directors, he can neither take his place at their meetings free from restraint, discuss with them matters relating to the welfare of the establishment with composure, nor appear before the customers with that satisfaction and independence which is required to the proper discharge of his duties. Having placed him in the position of manager of the bank, it is their duty always to contemplate him in that light, to respect and confide in his opinions and conduct, which in many cases have been formed by long years of active and arduous employment in the profession; and to speak well of him among their friends and acquaintances. In the degree in which the manager is respected, and well spoken of by the directors, will respect and confidence be extended to him, and consequently to the establishment, by the public, and a good opinion entertained of their judgment and discernment in his selection.

"The conduct of the manager ought to be characterised by great circumspection and uprightness. He ought, unquestionably, in every instance, to be chosen for his business qualifications, and not because he is a rich man, a gentleman, a man of fashion, or a man with an extensive circle of friends. To choose him on account of any one of these qualifications, and not principally from his practical experience of banking, would be similar to appointing a man to the care and management of a steam-engine, who knew nothing of its mechanism, nor the nature of its operation, but was recommended solely because he had a taste for travelling; or it would be like placing a man at the helm to pilot a vessel over quicksands, and through a reef of rocks, who knew nothing of a seafaring life, but

was fond of contemplating the grandeur of the elements. The manager of a joint-stock bank ought to be chosen exclusively for his experience in banking; other qualifications are well enough in their own place, but ought never to be taken into consideration in choosing a person to act as manager of a bank. In this way a stimulus is given to persons of talent, who may be looking forward to the reward of a life of toil and drudgery; and thus merit is patronised and protected. In a well-regulated office no one will be promoted over the head of another, but a prudent selection being made at the outset, a system of regular promotion should be uniformly practised.

"The manager of a bank may be contemplated in three important points—in his intercourse with the customers and the public; with the directors; and with the subordinate officers of a bank. In each of these departments he has important duties to perform. He must be scrupulously diligent in his attention to the affairs of the bank, courteous in his interviews with the public, affable and unreserved in his communications with the directors, and kind and conciliating towards the subordinates of the bank, treating them as those who may be one day placed in a similar situation with himself. The days are now gone past when a man of business was considered in the light of a machine—a mere automaton for the purpose of forming figures and casting up accounts; but it is still necessary, enlarged as our views of the powers and capabilities of the human mind are, in order to the proper management of any business, that it be carefully attended to. The manager of a joint-stock bank, being allowed a competent salary, cannot be justified in occupying his time with any other employment which may occasion his absence from the duties of the bank. But it is not intended to insinuate that he must be a man of one idea,

and restrained from turning his mental acquirements to his own amusement or profit. This would be as absurd as it would be unreasonable. Nor is it meant that a man of business may not be also a man of great erudition, and it may happen, of literary and scientific eminence. On the contrary, it cannot be denied that, in the present day, this is often the case. What is contended for is, that the bank is entitled to, and ought to have, his close and chief attention.

"As it is obvious that he cannot manage any other trade or profession, without sacrificing or delegating more or less the duties he owes to the bank; it seems also very doubtful whether he can be justified in taking a prominent part in public or political affairs. There are two arguments against his being a public character: the first is, that he may be drawn away during the hours of business; the second, that, by becoming a partisan, he is certain of being more or less obnoxious to a portion of the inhabitants, and, it may be, of the bank's customers. A man whose mind is occupied in framing political speeches, in promoting political schemes, and whose time is partially given to political, magisterial, or other meetings, cannot possibly, from the exciting nature of such subjects, give that cool, deliberate, and uniform attention to the duties of the bank which they necessarily require.

"The customers ought always to be treated with civility and kindness, their business transacted promptly and cheerfully, and every inquiry regarding their accounts, or any matter of business, readily and satisfactorily explained. When an accommodation is to be declined, it ought to be done in as polite and inoffensive a manner as possible—the manner of a refusal being of paramount moment to the character of a manager.

"The shareholders, being, in other words, the pro-

prietors of the bank, are to be received with that freedom and confidence which is due to their character as such, but without compromising or revealing to them either the business and accounts of each other, or of the customers of the bank.

"Next to being secret and cautious, a manager ought to be prompt and decided in all his measures, free from party influence, and firm in his purpose. A habit of promptitude and decision is very essential to the proper regulation of the business of a bank, and acquired by forethought and circumspection. It is, perhaps, a constitutional virtue which cannot be enjoyed by every one in the same degree, but it is nevertheless a virtue which every one may acquire by proper attention. Nothing makes a manager look more silly and contemptible than a hesitating, dubious, and capricious manner. His answer ought to be prompt and satisfactory; he should be sufficiently acquainted with business to say, at once, whether an act can be done or not, and should appear free from restraint, and not disposed to alter an opinion when once formed."*

IV. In joint-stock banks the administrative functions are usually distributed between the directors and the manager.

With reference to both private and joint-stock banks, the distribution of the administrative functions is a most important topic of inquiry. By what parties ought these functions to be exercised?—We have spoken of "the banker," as though a bank consisted of only one person, and this one person administered all the powers and functions of the bank. But few banks consist of only one person. One class of banks consists of two, three, four, five, or six persons, some or all of whom attend to the practical administration of the bank. Another class of banks consists of a great many, it may be of several

* Bell's Philosophy of Joint stock Banking.

hundred persons, who appoint some dozen or score of their own number to administer the bank on their behalf.

But how many soever the number of partners may be in a bank, the administrative functions are in fact practically exercised by a small number of persons. A private bank may consist of as many as six partners, but it is rarely, we believe, that so many as six are actually engaged in the business. When more than one are thus employed their duties may be distributed according to their seniority or other circumstances. In ordinary matters there may be a division of labour, and each partner may preside over a distinct department of the business. But in all important cases there is usually one leading partner who practically guides the others. When a bank has risen speedily to eminence, it has generally been through the talents of some one man. It does not follow that this one man did not receive great assistance from the advice or suggestions of his partners. It is the part of a wise man to avail himself of the knowledge and wisdom of others; and he will often gather much useful information from men far below himself in general talents. There is, perhaps, more uniformity, consistency, and energy in the proceedings of a bank managed by a few partners than by many. On the other hand, banks have sometimes been ruined by placing too much power in the hands of one or two of the partners.

In a joint-stock bank, though the number of directors may be large, the daily exercise of the administrative power is practically in the hands of a few persons. In some banks this power is vested solely in the manager; sometimes in one or two managing directors; sometimes in a permanent committee of two directors and the manager; and in other cases, in a changeable committee, on which each member of the board takes his rota of

service for two or three weeks in succession. In all cases, however, the board of directors lay down the general principles on which the bank is to be administered; reports are made to them at their weekly meeting of the actual condition of the bank in all its departments, and all very important matters are reserved for their special consideration.

V. Some joint-stock banks have many branches.

When the law existed in England that no bank should have more than six partners, the branch system scarcely existed. In some cases, a bank had a branch or two a few miles distant, but no instance occurred of a bank extending itself throughout a county or a district. But with joint-stock banking arose the branch system—the head office was placed in the county town, and branches were opened in the principal towns and villages around. The credit of the bank being firmly established, its notes circulated freely throughout the whole district. The chief advantages of this system are the following:—

There is greater security to the public. The security of the whole bank is attached to the transactions of every branch; hence there is greater safety to the public than could be afforded by a number of separate private banks, or even so many independent joint-stock banks. These banks could have but a small number of partners—the paid-up capital and the private property of the partners must be comparatively small; hence the holder of a note issued by one of the independent joint-stock banks could have a claim only on that bank: but if that bank, instead of being independent, were a branch of a large establishment, the holder of a note would have the security of that large establishment; hence the branch system unites together a greater number of persons, and affords a more ample guarantee.

The branch system provides greater facilities for the transmission of money. The sending of money from one town to another is greatly facilitated, if a branch of the same bank be established in each of those towns, for all the branches grant letters of credit upon each other. Otherwise you have to ask the banker in the town from which the money is sent, to give you a bill upon London, which is transmitted by post; or you request him to advise his London agent to pay the money to the London agent of the banker who resides in the town to which the money is remitted. This takes up more time, and is attended with more expense. A facility of transmitting money between two places usually facilitates the trade between those places.

The branch system extends the benefits of banking to small places where independent banks could not be supported. An independent bank must have an independent board of directors who in most cases will be better paid—the manager must have a higher salary, because he has a heavier responsibility, and a large amount of cash must be kept unemployed in the till, because there is no neighbouring resource in case of a run. There must be a paid-up capital, upon which good dividends are expected; a large proportion of the funds must be invested in exchequer bills, or other Government securities, at a low interest, in order that the bank may be prepared to meet sudden calls; and the charge for agencies will also be more. On the other hand, a branch has seldom need of a board of directors, one or two being quite sufficient—the manager is not so well paid: there is no necessity for a large sum in the till, because in case of necessity the branch has recourse to the head office, or to the neighbouring branches; nor is a large portion of its fund invested in Government securities that yield but little

interest, as the head office takes charge of this, and can manage it at a less proportional expense. Besides, at some branches the manager attends only on market days, or once or twice a week. The business done on those days would not bear the expense of an independent establishment.

The branch system provides the means of a due distribution of capital. Some banks raise more capital than they can employ, that is, their notes and deposits amount to more than their loans and discounts. Others employ more capital than they raise, that is, their loans and discounts amount to more than their notes and deposits. Banks that have a surplus capital usually send it to London to be employed by the bill-brokers. The banks that want capital must either restrict their business, or send their bills to London to be re-discounted. Now, if two banks, one having too much, and the other too little capital, be situated in the same county, they will have no direct intercourse, and will consequently be of no assistance to each other: but if a district bank be established, and these two banks become branches, then the surplus capital of one banch will be sent to be employed at the other—thus the whole wealth of the district is employed within the district, and the practice of re-discounting bills in London will be proportionably diminished.

The branch system secures a better system of management. The only way to secure good management is to prevent the formation of small banks. When banks are large, the directors are men of more wealth and respectability—they can give large salaries to their officers, and hence can command first-rate talent—there will be a more numerous proprietary; and in a large number there will be always some active spirits who will be watchful of the conduct of the directors and the manager; besides, in a

numerous proprietary there is a greater number of persons eligible to be directors, and consequently there is a wider choice. In populous cities, such as London or Manchester, a large bank may be formed without branches—but in smaller places there is no way of forming a large bank but by giving it branches throughout the district. A branch bank in a small town will probably be better managed than an independent bank in the same place. The directors and manager of the branch will be appointed by the directors at the head office, assisted by the general manager, who are very competent to judge what qualifications are necessary for these offices, and who would not be biassed by local partialities. But the directors of the independent bank would most likely be self-appointed, or chosen by the proprietors, because no others could be obtained, and these directors would appoint some friend of their own to be manager. The manager of the branch, besides the superintendence of the directors, which he has in common with the manager of the independent bank, will be subject to visits from the general manager or the inspector; and he must send weekly statements of his accounts to the head office. The consciousness of responsibility will thus secure a more anxious attention to his duties; and besides, he will probably be looking forward for promotion to a higher branch as a reward for his successful management. These circumstances seem to ensure a higher degree of good management to the branch.

At the same time, it must be admitted that banks with numerous branches require a proportionate paid-up capital, and that the capital be kept in a disposable form; it also requires vigilant and constant inspection, and a rigid system of discipline.

A proportionate paid-up capital is necessary, because,

in case of a run, there are a greater number of points of attack; hence the funds must be divided to meet all these possible attacks, for if one branch be overpowered, the whole bank is immediately exposed to suspicion.

Another danger arises from the incompetency or negligence of the managers of branches. Among a number of men, it is not likely that all are clever, and all prudent; and one case of neglect on the part of one manager may, in times of alarm, throw discredit on the whole establishment. Besides, there is sometimes danger even from the zeal of the branch managers. Each manager is naturally anxious to increase the business of his own branch; and he will perhaps find that the most easy way of doing this is to extend his loans and discounts. Hence each manager tries to employ as much capital as he can; and the urgent remonstrances he receives from head quarters, requiring him to restrict his discounts, are either evaded or delayed. Thus the bank proceeds until some heavy demand for money arises at head quarters, and it is then found that all the capital of the bank has been absorbed by the branches. These advances cannot be suddenly recalled, and thus the bank is ruined.

What number of branches a bank ought to have, and what distance they ought to be from the head office, have been the subject of much discussion. No general rules can be given. The subject may very safely be left to the discretion of the banks themselves. Several of the banks in Scotland have from thirty to forty branches. The Provincial Bank of Ireland, whose head office is in London, have branches spread all over Ireland. I am not aware that in these cases any danger or inconvenience has been experienced. When branches are found troublesome or unprofitable, they will very soon be discontinued. In

some instances, even in Scotland, the branches of the larger banks have been withdrawn in consequence of being unable to sustain a competition with the local banks of the district.

Had the Act of 1826 permitted joint-stock banks of issue to be established in London, we should probably by this time have had ten or a dozen banks having their head quarters in London, and extending their branches throughout the country. But as the law prohibited joint-stock banks being established within sixty-five miles of London, it necessarily gave rise to banks occupying particular districts in the country. The advantages which are alleged to belong to the district system are the following:—That the bank will be better adapted to the wants and habits of the people—that a local feeling will be excited in its favour, hence the inhabitants of the district will take shares, and the occurrence of runs upon the bank will be less probable—that a better system of management may be expected, as it can more easily be governed, and will be more under control—that a panic in the district will not affect the other parts of the country, and hence supplies may be more easily obtained—that banks will be of a moderate size, and hence will be attended with the advantages arising from numerous banks acting as checks upon each other, instead of a few large banks who may combine for objects injurious to the nation; and that as each bank will have an agent in London, the bills they draw will thus have two parties as securities, and the public will have a pledge that there is no excessive issue in the form of kites or accommodation bills. On the other hand, it may be contended, that in Scotland the large metropolitan banks which have branches extended throughout the country, have generally been more successful than the provincial or district banks—that there is a greater

security to the public for the notes or deposits—that advances are not so likely to be made to speculative parties merely on account of their local influence—that the capital raised in one part of the country can be employed in another—that the transmission of money from one part of the country to another is more rapid and direct—that the establishment of the bank, being on a larger scale, you have a superior class of directors, and can demand the services of higher talents in those who are employed as officers.

It does not appear that these two systems are necessarily at variance with each other. County or district banks have no doubt many advantages, but they do not seem to supersede banks on a larger scale.

VI. Joint-stock banks have an annual meeting of shareholders, to whom is usually exhibited a balance-sheet showing the assets and liabilities of the bank.

All banks do not exhibit a balance-sheet. The practice is said to be open to the following objections:—

1. That it is not a fair criterion by which you can form any judgment of the real condition of the bank. You might see that the bank had a certain amount of securities, or had advanced a certain sum upon loans; but whether those securities were available, or whether those loans could suddenly be called up, are points upon which the balance-sheet could give no information. The Agricultural and Commercial Bank of Ireland published a very satisfactory balance-sheet a few weeks only before they stopped payment.

2. It lays the bank open to attacks from its rivals or opponents. The balance-sheet will show in what way the funds of the bank are employed, but it will not state the reasons why they are so employed. The opponents of the bank may attack every item of the balance-sheet, and

the directors may not be able to repel those attacks without a breach of confidence that would be injurious to the establishment. Suppose, for instance, the balance-sheet should show that the bank had advanced a few thousand pounds upon mortgage. This might be justly considered as a departure from the sound principles of banking; yet it might in this case be justified by some peculiar circumstances, which, nevertheless, the directors could not publish without serious injury to the parties concerned. The production of a balance-sheet is advocated upon the ground that it would enable the shareholders to judge of the ability and prudence of the directors. But how can they do this without knowing the reasons by which the directors are influenced in their decisions?

3. It causes a great deal of speculation in the shares. The shareholders and the public would form their opinions of the bank from the statements in the balance-sheet; and according to these opinions the price of the shares would fluctuate in the market. Suppose it were seen that the bank had invested a large portion of its funds in Government securities, and it was known that during the year the price of those securities had experienced a considerable fall, would not the bank shares immediately fall too? Again, suppose at the end of a year like 1836, it should appear that the bank held a considerable amount of overdue bills, the apprehension of loss would cause the bank shares to fall; soon afterwards these bills might be paid, and then the shares would rise again.—Thus, the publication of balance-sheets would keep the prices of shares in perpetual fluctuation, and furnish a most fruitful source of speculation and gambling.

4. It is perfectly inefficient as a protection against fraud. The balance-sheet, it seems, is to be a check

upon the directors, and yet the directors themselves are to prepare the balance-sheet. They must be stupid knaves indeed, if they produce such a balance-sheet as shall expose their own knavery. Besides, the balance-sheet merely shows the state of the bank on one day in the year. Would it not be easy to put the bank on that day in such a condition as would give satisfaction to the shareholders?

VII. At the annual meeting, the directors announce the amount of the profits and the mode of their distribution.

The first appropriation of the profits is, to pay to the shareholders a dividend on the capital. But all the profits are not usually thus appropriated; a certain portion is generally retained as a rest, or surplus fund, or, as it is sometimes called, a guarantee fund. This last title has led to an erroneous impression with regard to the nature and purposes of this fund. It is not designed as a guarantee to the depositors for the amount of their deposits—these are guaranteed by the paid-up capital and the liability of the shareholders—but as a guarantee to the shareholders for the uniformity of their dividends. Should the profits in any one year fall below the sum necessary to pay the usual dividend, the deficiency may then be taken from the surplus or guarantee fund. The amount of this fund, therefore, will be regulated by the amount of the transactions, and the consequent danger of loss. But it sometimes happens that after paying a liberal dividend the surplus fund accumulates far beyond the sum necessary for the above purpose. In this case a portion of the fund may be employed either in still further increasing the dividend, or it may be distributed to the shareholders in the form of bonuses, or it may be added to the capital. The course to be adopted must depend upon circum-

stances. When the capital is small, it will probably be best to make an addition from the surplus fund; but when the capital is sufficiently large, the best way will be to give an occasional bonus to the proprietors. This is usually better than increasing the dividend. For if the dividend be once increased the same rate of dividend will always be expected. And it is better not to make any advance, unless there is good reason to believe that the same rate will always be maintained.

When urging the establishment of a surplus fund, we are met with the remark that we are not bound to do anything for posterity, inasmuch as posterity have done nothing for us. We recollect meeting with this joke many years ago, we think in "Joe Miller." As it is so frequently repeated, we presume it is thought to be witty. We profess not to be a judge of witticisms. As a piece of reasoning it seems very unsound. To deny ourselves present gratifications in order to make provision for the future, is one of the most important lessons that reason teaches to man. Nor is it for posterity, in the present case, that the provision is made. All bank proprietors should wish that it may be so; but it is very probable that within their own life-time some untoward events may occur that will require a portion of the reserved fund to keep up the ordinary dividend.

Those persons are under a mistake who object to a reserved or surplus fund on the ground that it takes away the profits from the existing shareholders, and gives them to the future shareholders. This is not the fact. An existing shareholder who keeps his shares until the fund is in some way distributed, receives of course his portion of the fund. But an existing shareholder who sells out his shares before the fund is distributed, receives the value of his portion of the fund in the price of his shares. The

amount of the surplus fund will influence the market-value of the shares. In proof of this, we may observe that after a bank has declared a bonus the market-price of the shares usually falls, as in fact, *cæteris paribus*, it ought to do.

We consider it of high importance that a bank should maintain an ample surplus fund. Without such a fund, the dividends will fluctuate very widely, and sometimes there may be no dividend at all, even though upon a series of years the bank may have been very successful. Even if it is known that a bank has met with losses, its credit is not so much affected when it has an ample reserved fund to fall back upon. And besides the ordinary losses in the way of business, a bank will sometimes, in a season of pressure, be called upon to sustain loss by the realization of securities, and it is very convenient to have a surplus fund sufficiently ample to bear all these contingencies. Such a fund too has a moral effect in strengthening the reputation of the bank in public estimation. It is regarded as an indication that its affairs are governed by a wise and prudent administration.

It will assist us in forming a correct judgment as to the principles on which joint-stock banks ought to be administered, if we take a view of those banks that have fallen, and notice the causes to which their failure may be assigned. In investigating these causes we shall find that the disasters which have befallen joint-stock banks have arisen not from any unsoundness in the principles of joint-stock banking, but purely from mal-administration. It was predicted by their opponents that they would be ruined by the excessive issue of their notes: but the banks that have failed have been chiefly those that did not issue notes. It was stated they would be ruined by carrying on an extensive business with a small capital; but among the banks that have stopped have been some

of the largest capital. It was supposed they would be ruined by unprincipled men getting to be directors, who having no property of their own, would care little about squandering the property of others. But the fallen banks are chiefly those which were governed by honourable men; and the greatest sufferers have been the directors. Nor can it be said that the joint-stock banks have made their losses by engaging in speculations unconnected with banking. Private bankers have done so. But joint-stock banks are confined by their deeds of settlement to the business of banking. Nor has it appeared—except, perhaps, in the Isle of Man Bank—that they have violated their deeds in this respect. To what then must we ascribe the failure of so many joint-stock banks? We reply, To mal-administration; or, in other words, to bad management. And this leads us to inquire, In what way has this mal-administration been exemplified? What are those erroneous principles that have led to these fatal results? Without attempting to enumerate them all, we will endeavour to specify a few of the most prominent.

I. Taking the unsound business of other banks.

One cause of the rapid extension of joint-stock banks in 1836, was the "merging" of numerous private banks. I obtained from the managers the names of these private banks, which were printed as an appendix to the "History of Banking in America," published in 1837. This list was afterwards extended, and inserted in the *Bankers' Magazine* for 1844. Thus it appears that 138 private banking establishments have merged in joint-stock banks. Some of the private banks sold their business after the joint-stock banks had come into operation. Others formed a joint-stock bank upon the private bank, the senior partner often becoming a director, and the junior partner the manager, of the new bank.

In by far the majority of cases, these unions, or "merges," were advantageous to both parties. The private bankers obtained the value of the business they had surrendered, and an interest in the future prosperity of the bank they had joined. On the other hand, the new joint-stock bank acquired a business already formed, and also obtained the advantage of the practical knowledge and superintendence of experienced bankers.

But in some instances the bargain was a disastrous one for the joint-stock bank. The bad and overdrawn accounts were taken without due examination, and soon afterwards occasioned considerable loss. The loss of the purchase-money was generally by far the smaller loss of the two. A joint-stock bank in the west of England purchased a private bank in a country town for a large sum, and took the overdrawn accounts without a guarantee. These accounts were considered good at the time, but a few years afterwards the parties failed, and the joint-stock bank lost considerably. A joint-stock bank gave to the Northern and Central Bank, the sum of 6,500*l.* for their business at Leeds, after they had stopped. The accounts they took over were afterwards the occasion of great loss. The Isle of Wight Joint-stock Bank was formed upon a private bank, but a few months only had elapsed when they found they were insolvent from the losses that would arise from the bad accounts they had accepted. They immediately determined to wind up, and transfer their business to the National Provincial Bank of England. Other instances might be adduced of joint-stock banks having been founded on private banks which are now supposed to have been, at the time, in a state of insolvency.

II. Some banks have sustained losses by making advances on dead security.

Instead of the word "some," we think we might use the word "all." For among the banks that have failed we doubt if we could find one that had not sinned in this respect. But the greatest sinners were those banks that were established in places of the greatest trade. All the banks at Newcastle advanced money on collieries, and also on other public works. The banks of Manchester made advances on mills and manufactories, as did also some of the banks at Leeds. These advances were attended with several evil effects. In the first place, there was a lock-up of capital, which restrained the operations of the bank. To relieve themselves from this restriction, they took bills for their loans, and re-discounted them in the London money market. The facilities thus obtained induced them to extend this system of advance. Bills were perpetually renewed, and perpetually re-discounted. At last a pressure came, and the renewed bills could not be re-discounted. The bank could not take up the old bills that were returned, and consequently stopped payment. Sometimes too the bank tried to relieve itself from this pressure by increasing its drafts on its London agent. It has for a long time been the practice in Lancashire to pay for cotton with a three months' banker's bill. Banks in difficulties avail themselves of this practice to make all their advances by drafts on London, instead of cash. The Bank of Manchester had at one time an enormous circulation of this kind.

Another effect was that, however good the security might be at the time the advance was made, when a change took place in the state of trade, its value fell much below the amount of the advance; and in some cases it could not be sold at any price. But the evil did not stop here. As the property given as security would have been worth nothing if not worked, the bank was induced to make farther

advances, to carry on the works on their own account. A colliery, if not kept in operation, soon gets out of order; and it will then require a considerable sum to set it at work again. Hence some of the collieries at Newcastle were worked by the banks; and mills in the neighbourhood of Manchester were carried on in the same way. The plan, however, does not often succeed. It is generally throwing good money after bad. The ultimate loss is usually increased. We may just observe in passing, that the banks in the East Indies get involved in the same way, through making advances on indigo works. These works are of no value except kept in operation; and hence it has occurred that a bank which has made an advance, is compelled to carry on the works to keep up the value of its security. To show that a bank governed by the strictest rules may sometimes be drawn into transactions of this kind, it may be observed that at the present time an iron concern in Wales is said to be carried on by the Bank of England. It belonged to the Governor and Company of the Mines Royal. The bank made an advance on mortgage to this corporation during the pressure of 1847, and now takes the profits of the works. Some joint-stock banks have made advances upon buildings. This has occurred chiefly in places where there has been an increasing population. A few years ago a joint-stock bank in a town of fashionable resort, advanced large sums to builders upon the security of the houses they were erecting. The houses did not let—they could not be sold for anything like the cost price—the builders were ruined—and the loss fell upon the bank. The bank had recourse to the expedient of re-discounting the builders' bills; but after a while it was compelled to stop payment. In agricultural districts, banks have sometimes made considerable advances to farmers and graziers. Indeed it is almost a universal practice to do so at some seasons of the

year. These advances are not individually of large amount, and are not usually attended with much loss—not with anything like the losses incurred by advances on collieries, mills, and houses. But it is a lock-up of capital until the year comes round. And when the system has been carried to too great an extent, the bank has become embarrassed through the want of funds.

III. Some banks have lost large amounts, through advances made by way of loan or discounts to men engaged in speculative undertakings.

Two of the banks that stopped at Newcastle-upon-Tyne sustained great losses through advances to corn-merchants. Speculations in corn are usually carried on more by bills than by loan. A merchant buys a quantity of corn, and places it in the hands of a factor, and draws bills for something under the market value, leaving the factor a margin to guard against loss. He gets these bills discounted, buys more corn, which he also places in the hands of his factor, and then draws fresh bills. This second batch of bills he also gets discounted, and buys more corn; and thus he goes on in the same course. Now if he thinks the market will rise (as all speculators do), he will not allow his factor to sell the corn; but when the first bills fall due he will renew them, and with the produce of the new bills, when discounted, he will pay the old ones. It is thus that a large speculation may be carried on with a small amount of capital (and that may be borrowed from the bank), and all the speculation is kept afloat by bills. These bills are always for large amounts, and when the parties fail the losses are usually heavy. The failures in the corn trade in 1847, fell heavily on the banking and monied interests. It was the stoppage of Messrs. Lesley, Alexander & Co. the corn factors, that caused the stoppage of Messrs. Sanderson & Co. the bill-brokers.

Wool is another "heavy article," as it is called: that is, it costs a great deal of money, and the bills are usually for large amounts. Occasionally there is much speculation in this article. A joint-stock bank that failed in Yorkshire, is said to have lost large sums by persons engaged in this trade.

Builders are generally a speculative class. Banks that advance money to parties engaged in this trade have usually to take possession of the buildings. We have already noticed an instance of this in the conduct of a joint-stock bank.

People who speculate in railway and other companies are dangerous customers to a bank. A joint-stock bank that failed at Leeds is said to have lost considerably by advances to share-brokers and others, upon the security of their shares.

It may be remarked, that it is generally bad policy in a bank to make a very large permanent advance to any one customer. The word "large" is a relative term, and must be understood with reference to the extent of business that the customer is carrying on, and to the means of the bank. It is not the business of bankers to supply their customers with capital to carry on their trade. But it is their business to make temporary advances, and these advances may sometimes be large. In such cases, the banker should have a kind of security, that shall not only secure the debt, but shall prevent its becoming permanent. Almost every bank that has failed can point to some one, two, or three large accounts to which it mainly ascribes its failure. The temporary stoppage of the Royal Bank of Liverpool is attributed to an advance of this sort.

But the worst form of illegitimate advance is that which is made by a bank to one of its own directors.

Some of the banks at Manchester sinned grievously in this respect.

A bank that is known to act imprudently in making large advances will occasion a suspicion that its smaller advances are made with, at least, equal imprudence. A large number of imprudent small transactions may be as fatal to a bank as a smaller number of a larger amount. A sum which appears small as a loan, will appear large as a loss. A manager who accustoms himself to examine all the circumstances connected with the small bills he discounts, will acquire a habit of investigation that will guide him with safety in dealing with large transactions. But if he get into a laxity of manner in regard to small amounts, he will ultimately deal less carefully with large sums, and be in danger of making great losses. In every case the rules of sound banking should be strictly applied.

IV. Some banks have become involved in difficulties through a general want of system and discipline in conducting its affairs. This laxity usually shows itself in two ways—the absence of a good system of book-keeping, and the want of a proper control over its branches.

We could not adduce a more striking illustration of this observation than has been furnished in the history of the Agricultural and Commercial Bank of Ireland, as related before a Committee of the House of Commons in the year 1837. The following are extracts from this evidence. The books at the head office had not been posted for four months. There were no stock books, showing the amount each shareholder had paid on his share. There were no books showing the amount of the circulation. An auditor states: "They showed us no general account—their books were in a perfect chaos." They had no account at the head office by which they

could check any transaction at the branches. Bills were sent away to be re-discounted without any entry of them being made in the bank books. At the branches there was no regular system of accounts. At no one branch was there a system of accounts that formed an adequate check upon the amount of notes in circulation; "and from one branch we were told that returns had not been made to the head office for fourteen months, and from another for six weeks, and there was no question about it from the head office."*

We will not intimate that anything like this has ever existed in a joint-stock bank in England. We never heard that any one has had any difficulty in making out a statement of its affairs. With some banks, however, there has been a laxity in regard to the government of their branches. The system of inspection was not well understood—the returns from the branch were not so ample as they should have been—and the orders of the head office were not rigorously enforced. We could mention the names of several fallen banks that lost very considerably by their branches. In some cases the banks had opened branches in towns that required an amount of capital disproportionate to the means of the bank, and their administration had been entrusted to parties who had neither banking nor local knowledge.

A good system of book-keeping cannot be too highly valued. Its object is not merely to secure accuracy of accounts between the bank and its customers. A further object is to classify and arrange all the transactions in such a way as easily to produce a weekly balance-sheet, showing the actual condition of the bank. Nor must it be supposed

* It is to be feared that some of the English country banks are too neglectful in regard to book-keeping. See the case of the Honiton Bank, in Burgess's Circular to Bankers, February 2d, 1849.

that such abstracts or balance-sheets are intended merely for the use of the directors. They are of the utmost use to the manager, and should be the subject of his constant study. A manager who, day after day, attends only to individual transactions, and that, too, possibly in a state of mental excitement, may involve his bank in difficulty, even though each transaction may, upon its own ground, be perfectly justifiable, unless he attends to those summaries and classifications of his transactions which are presented in the weekly balance-sheet. He will there see on one side the means of the bank, and on the other the way in which his funds are employed. He will notice if his loans, or overdrawn accounts, or past-due bills, are unduly increased. If a good system of book-keeping does not prevent a manager from going wrong, it will prevent his going wrong without knowing it. If he act unwisely, his balance-sheet will stare him in the face and remind him of his faults.

It is a great defect not to take an accurate estimate of the losses every half year before striking the balance of profit and loss. It is clear, that common sense and common honesty require that the loss should be taken into account as well as the profit. Yet some of the banks that failed went on, year after year, exhibiting a balance-sheet to their shareholders showing a respectable profit, which enabled the directors to declare a fair dividend, and to make an addition to the reserved fund. While the annual balance-sheets thus showed a steady increase of profit, the bad debts had actually eaten up the whole of the capital.

Another defect is, not to have an account in the general ledger showing the amount of bills re-issued or re-discounted. The amount of these bills not due should appear on both sides of the account—on one side as a liability, and

on the other as an asset. For want of doing so some banks have not been able to ascertain easily what amount of bills they have under re-discount. But it is important to know this. For it may be expected that, during a season of pressure, no small portion of these bills will be returned unpaid, and the bank must find funds to take up its indorsements. If they fail to do this, it amounts to a stoppage of payment. In fact, the amount of such bills suddenly returned has in some cases been the *immediate* cause of a bank stopping payment.

We have no horror of numerous branches. When we see that in Scotland the largest and most prosperous banks have each a large number of branches, we are led to believe that branches are not attended with any dangers which cannot be overcome by wise administration. At the same time, we are ready to admit that numerous branches require a peculiar mode of government, and a rigid system of discipline. The chief officer of such a bank should be a good banker, and something more. He must be a good administrator; that is, skilled in the administrative department of good government.

In the first place, each branch must have a good system of book-keeping, and the system must be uniform at every branch. Secondly, Care should be taken to appoint efficient officers. Thirdly, A code of laws should be drawn up, and the branch manager should be distinctly informed as to the extent to which he may exercise his discretion, and what cases must be referred for the consideration of the directors. Fourthly, Weekly returns must be made to the head office of all the transactions, and a half-yearly balance-sheet attended with full supplementary details. Fifthly, Special reports should be occasionally required, as special circumstances may occur, either with reference to the branches generally, or with

reference to a branch individually. Sixthly, An inspector should be appointed for the purpose of visiting the branches. His duties will be to explain the instructions of the directors, and to see that they are properly observed—to maintain a uniform system of transacting business at all the branches—to instruct the officers of the branch in their duties when necessary, and to communicate the knowledge he has acquired in visiting the other branches—to answer any difficult or knotty questions that may be proposed to him by the manager, and to consult with the manager as to the best means of promoting the interests of the branch—to observe the talents and capabilities of the several officers, and to recommend for promotion any who seem to have qualities that might be usefully employed in a higher department in the bank.* In large banks there are usually several inspectors.

Branches should always be kept in strict subordination to the head office. Prompt obedience to orders is a duty that must be rigidly enforced. The chairman of the Northern and Central Bank stated to the Parliamentary Committee, that at some of the branches where the heaviest losses had occurred, the managers had not obeyed the orders they had received from the directors. Similar accusations were made against some of the branch managers of the Commercial Bank of England. It is quite impossible for any bank to be well administered as a whole, if every branch is allowed to exercise an independent authority. Upon this ground, some parties object altogether to the appointment of local directors at the branches. A local board, consisting of the branch directors and the manager, are more likely than the

* We shall hereafter notice in detail the mode of conducting business in the Provincial Bank of Ireland, as an illustration of the above remarks.

manager alone to assume independent authority—to postpone carrying out the directions they may receive from head quarters—and to take upon themselves the responsibility of acting somewhat at variance with the strict letter of their instructions. And although local directors may sometimes be useful in extending the connexions of the bank, or in aiding the managers with information or advice, yet, for the above or other reasons, they are now in England but very seldom appointed. The branch is under the sole care of a manager. The general manager of the bank is not merely the manager of the head office, but has authority also over all the branches. Whenever necessary or expedient, he issues circular letters of instruction to the branch managers, and these instructions the branch managers are expected to obey.

V. Some banks have been unfortunate in consequence of having made no provision to meet contingencies.

This class of banks has not fallen into any of the practices that we have enumerated. They have not, on the whole, been badly managed, but they have traded to the full amount of their means, and have kept no reserve, either in Government stock, exchequer bills, or bills of exchange, to meet those contingencies to which all banks are liable One bank of this class had, during the railway speculation, received from some of these companies a large amount of deposits. A portion of these deposits was lodged, as its agent, with another bank. That bank stopped. This bank was, consequently, unable to pay back the deposits to the railway companies. From this circumstance, and the known connexion between the two banks having damaged its credit, it was compelled also to stop payment. Another bank had but a small capital, but for a number of years it was exceedingly well managed. In 1847 it had discounted, and again re-

discounted, a large amount of bills on a first-rate London house that failed. The London house afterwards paid 20*s*. in the pound. But the directors concluded from this circumstance that a bank with a small capital was not in a condition to bear a large loss, and they resolved to wind up the concern. After sustaining the losses and expenses of winding-up, (and in such a case some losses necessarily occur,) the bank realized nearly the whole of its paid-up capital. We doubt not that some of the other banks that have wound up their affairs have done so from causes similar to those we have described.

We consider that this head of our inquiry is not less instructive than the four by which it was preceded. *They* will teach us the vices we ought to avoid—*this* will teach us the virtues we ought to cultivate. The lessons we here gather are, that we ought not only to avoid all mismanagement, but we ought also to provide for those contingencies to which, even with good management, we are exposed. We ought to raise our capital in proportion to our business, or else keep down our business to a level with our capital — we ought to have a surplus fund adequate to meet any unforeseen loss — we ought to have a reserve of convertible securities ready to meet contingent evils; and, finally, we ought always to keep our bank in such a condition that, even if not successful, we shall still be in a condition to wind up our affairs without inconvenience to the public.

VI. We may observe, that these erroneous principles of administration have sometimes been the result of a defect in the constitution of the bank—of the appointment of incompetent persons—or of an unwise distribution of the administrative functions.

Joint-stock banking did not grow up gradually in England as in Scotland. On the introduction of this

system into England, the directors were necessarily unacquainted with the practical operations of banking.* For all the practice and experience were confined to the private bankers, whom the new system was intended to subvert. In some places there was a prejudice against directors who were in business. Hence, officers in the army, barristers, solicitors, medical men, retired tradesmen, and country gentlemen, were considered as the most eligible directors. These boards of directors, all of whom were unacquainted with banking, and some of whom were destitute of business habits, had to encounter difficulties which would have tried the most experienced bankers.

The want of experience in a board of directors did not, however, produce any dangerous consequences when they appointed an efficient manager. He prudently advised and instructed them. They gradually increased their knowledge, adopted his principles, and were guided by his counsels. By their daily intercourse with him, by their own reflections, by the direction given to their thoughts, and by the experience they acquired, they became in a few years as conversant with their duties as the manager himself. We believe this was almost uniformly the case with those joint-stock banks that were formed within five or six years after they were allowed to be established in England. As a proof that such was the case, it may be stated that the greater portion of the

* The chairman of the Northern and Central Bank gave the following answers to a Committee of the House of Commons :—

"Is there any one of your colleagues in the direction of the bank that had previous experience in banking business?—I do not think there was one.

"Had the directors of the joint-stock banks about you many of them had previous banking experience?—I do not recollect one."—*Committee on Joint-Stock Banks*, 1837.

banks formed during that period have, at the present moment, the same managers they had at their commencement.

But, after joint-stock banks were started as matters of speculation, they increased more rapidly than efficient managers could be found. The new banks naturally enough looked to Scotland. But the Scotch banks had the sagacity to raise the salaries of their principal officers, to prevent their emigration to England. In some cases, those Scotchmen who were appointed managers of English banks, had never held office in a bank before, or else it was an office so inferior that all they knew about banking was merely the routine of the office. Wherever efficient managers were appointed, whether English or Scotch, the same effects were produced as in the former cases. The inexperienced directors acquired the knowledge and experience necessary to the discharge of their duties, and the banks prospered. But sometimes the case was reversed. The manager was inefficient, and the directors inexperienced, and then the effects were disastrous.

In some cases the manager laboured under an inconvenience from being taken from a lower social position. Not a few of the managers were previously bankers' clerks; and the appointment to the office of bank manager did not, in England (as it does in Scotland and in Ireland), raise him to the same social position as a banker. This was injurious to the bank in several ways. It lessened his influence with his directors. From the days of Solomon to the present time, the degree of deference paid to even good advice has depended upon the social rank of the party who offered it: "Wisdom is better than strength; nevertheless the poor man's wisdom is despised, and his words are not heard."* The public, too, had been so long

* Eccles. viii. 16.

accustomed to private banking, that, seeing the manager paid by a salary, they could not bring their minds to view him as *the* banker, but considered him as holding an office analogous to that of chief clerk in a private bank. It may be feared, that in some banks the directors took the same view, and thought that the influence and the salaries of the two offices ought to correspond. These impressions have now passed away.

In some cases the manager was superseded in his functions by the appointment of managing directors. The manager was a man of banking knowledge and experience, but he had placed over him a couple of managing directors, who had neither knowledge nor experience. Consequently, his voice was never heard in the board-room, and, with the name of manager, he acted only in the capacity of a chief clerk. The manager was thus deprived of the opportunity of discharging the most important of his functions—that of giving advice to the directors—and was required to confine his attention to the more easy duty of obedience.

In other cases the managing directors and the manager formed a secret committee, who alone were acquainted with the actual condition of the bank. The directors of the Bank of Manchester stated, in their first report, that "two of their body, who are out of business, alone have access to the accounts, and are authorized to advise with the manager, when requisite, on the current transactions of the bank. At the same time, each of the other directors engaged, individually, to refrain entirely from inspecting any of the customers' bills or accounts; thus combining all the secrecy of a private bank with the advantages of a public institution." The Bank of Manchester had at that time the largest paid-up capital of any joint-stock bank in England. Three of its directors were

examined before the Bank Charter Committee, in the year 1832. They presented to the Committee a list of twenty-three joint-stock banks then formed, and strongly urged that measures should be adopted to require from them an adequate amount of paid-up capital. It is somewhat remarkable that, out of these twenty-three banks, the only one that has stopped payment is the Bank of Manchester. Another has ceased to exist, but it was by a transfer of its business.

In some cases a bank has been ruined by its manager; in others, by the manager and the managing directors conjointly; in others, by the managing directors without the manager; and in others, by one, two, or three directors, who, though not formally appointed managing directors, have, by their influence with the board, virtually monopolized that office, and discharged its functions. It may be questioned whether any case has occurred in England of a bank being ruined by the acts of its whole board, where all the directors were honest and intelligent men, and each was accustomed to think and judge for himself.

VII. We may observe, that sometimes joint-stock banks have been led into erroneous principles of administration by the proceedings of the proprietors.

The constitution of joint-stock banks appears theoretically absurd. The manager—the banker—who is presumed to have some knowledge and experience in banking, is placed under the command of a board of directors, whose knowledge and experience are supposed to be inferior to his own. These directors are again placed under the control and instruction of a body of proprietors, whose knowledge of banking is much less than that of the directors. Practically, however, the system works well. But when an attempt is made to carry out the

theory, the effects are injurious; and some joint-stock banks have fallen into danger through the operations being too much regulated by the proceedings of the proprietors.

Sometimes the directors have been influenced by the applauses of the shareholders.

It is natural to all shareholders to wish for large dividends upon the capital they have invested. Hence they applaud most loudly those directors who contrive to declare the highest dividends, to make the largest bonuses, to keep up the shares at the highest premiums in the market, and then to distribute more shares at par. The directors, knowing these to be the feelings of the shareholders, very naturally attempt to gratify them. But those transactions that yield a large immediate profit are either attended with a risk of loss, or a lock-up of capital. But the profit is immediate, the danger is remote. With the applauses of the shareholders ringing in their ears, the directors become too giddy for reflection, and recklessly engage in a course of action that ends in ruin. This evil is increased when there are two joint-stock banks of about equal strength in the same place. The spirit of rivalry is natural to man. The competition between the two boards of directors is not which bank shall be governed with the greatest prudence, and with the strictest regard to sound banking principles. But which shall produce the most glowing reports—which shall declare the largest dividends—and which shall keep up its shares at the highest price in the market. A strong competition is carried on, which ends in the destruction of one or both of the rival banks. Such feelings are said to have prevailed at Manchester; and at that place several boards of directors were presented with services of plate, by their respective shareholders, within a short time of the stoppage of their banks.

Sometimes directors are induced to act unwisely from the censures of their shareholders.

Every one who knows anything of banking must know that it cannot be carried on without occasional losses. A bank that is so conducted as never to make a loss, will seldom make much profit. And sometimes these losses will be so great as to absorb a large portion of the profits of the year. The object of having a surplus fund is to provide for these contingencies, so that the usual dividend may be maintained. But when an occasion arises for making use of a portion of this fund, there is often what is called "a stormy meeting," and the shareholders walk away sulky and dissatisfied. This produces a bad effect on the minds of the directors. It is a great mistake to suppose that boards of directors are indifferent to the applauses or censures of their shareholders. As a general rule, the fact is lamentably the reverse. In some cases they have had so much dread of "the general meeting" that they could not muster courage enough to make honest reports. Had they done so in the first instance, their banks might have been saved from destruction.

Sometimes directors are in danger of being led astray by the admonitions and instructions of their shareholders.

A very prudent class of proprietors exhort the directors to practise the strictest economy. When rightly understood, this exhortation is worthy of the rounds of applause with which it is usually attended. But it is liable to be misunderstood. In banking, as in housewifery, the lowest priced article is not always the cheapest. The largest portion of the expenditure of a bank consists of salaries. Hence an exhortation to economy amounts to—"Keep down the salaries of your officers;" * and

* We believe that if the suggestion were made in these terms, it would receive no support from any body of shareholders. Were it customary

as the manager has the largest salary, he will most likely be the heaviest sufferer.

A more mischievous recommendation, when thus understood, can hardly be conceived. Next to having a dishonest manager, the greatest evil is to have one that is badly paid. If he is known to be poor, his advice will have less weight in the board-room; the directors individually will treat him with less respect; his wealthy customers will not disclose to him their private affairs, the needy class, when refused discount, will insult him by threatening to complain to the directors, and his inferior officers will be less prompt in their obedience. But worse than all this will be the effect produced upon his own mind. He will not be, and he cannot be, so efficient a manager when badly paid as he would be if he received a liberal remuneration. It is the besetting sin of men of business, that they never pay attention to MIND, though among no class are mental phenomena more strikingly

to announce to the proprietors the advances made in the salaries of the managers, we think the announcement would be received with the same feelings as were manifested in the following instance. At the eleventh annual meeting of the proprietors of a bank in one of the northern counties, held on the 5th of February, 1846, "the chairman informed the meeting that, appreciating highly the services of the manager, and the prosperity of the bank fully justifying them in doing so, the directors had raised his salary to 1500*l.* a-year; at which the proprietors present expressed their hearty concurrence. And it was recommended to the directors, by the proprietors present, still farther to augment the manager's salary, with the increasing business and prosperity of the bank." At that time the paid-up capital of the bank was 260,450*l.* In the "Banking Almanack, for 1849," this bank is stated to have a capital of 300,000*l.* and a reserved fund of 30,000*l.*

The following is an extract from the sixth report of another joint-stock bank:—

"The manager having claimed for his nominees the 1000 shares at par to which they were entitled by his agreement when originally engaged, the same have been issued to them, which increases the number of paid-up shares, entitled to participate in the present dividend, to 32,080."

exhibited. The amount of his salary is the only tangible means by which a manager can judge how far his services and his character are appreciated. It is not the money alone, but the feelings, of which the money is an indication, that produces an effect on the mind. It is a law of our nature, that the kindness, liberality, and generosity of others will produce corresponding feelings in ourselves. And it is another law of our nature, that when the mind is under the influence of such feelings, it is capable of intellectual efforts of a higher order. But we forget;—we were writing about pounds, shillings, and pence, and our pen has darted off into philosophy. We will now return.

Sometimes the shareholders fly at higher game, and canvass the salaries of the directors. Such discussions are always unpleasant, as they are carried on in the presence of the parties interested. Among all the charges brought against the directors and managers of banks that have failed, we have never met with the accusation that they received excessive salaries. We are tempted to fancy that, had their salaries been higher, the banks might not have failed. As far as salary is concerned, they certainly would have had a greater interest in preventing the failure. In some banks, however, directors have paid themselves for their services in ways far more costly to the bank. Take the following instance:—

"The qualification for directors of the Northern and Central Bank was 100 shares. It was, however, ascertained that each of the original directors took 1000 shares, and that besides these, other shares were, at later dates, distributed among the directors and their near connexions. Instead of paying the calls to the bank, the directors and their nominees were severally debited with the amount in a private ledger, locked up, and the key deposited with the chief accountant. In addition to this, each director had a current account with the bank, and many of them had overdrawn their accounts to a very large amount. Nor was this all, for it farther appeared that many of them were also indebted in large

sums of money on notes of hand, which being placed to the account of securities, did not appear in the books as a debit against the directors. Upon combining these several items of debt, it was ascertained that there was no less than 290,000*l.* due by the directors, and that there was near 14,000*l.* due by the managers and clerks."*

It is not creditable to any bank to receive the services of its directors as a matter of charity. Nor is it wise. A director who is paid for his services may justly be called to account for neglect of duty. In this case, too, he cannot expect payment in any other way. In his transactions with the bank he is then on the same footing as any other customer. It has been said, that the directors are such honourable men that they will attend to their duty as strictly if badly paid as if liberally paid. If so they ought to be liberally paid, as it is very desirable that such honourable men should be most closely attached to the bank. But we doubt the fact. In matters of almsgiving, men will give only what they can conveniently spare. If a director is to give his time for nothing, he will give only that portion of his time which he cannot more profitably or more agreeably employ elsewhere. In matters of business, men will apportion their services according to the return they receive for them. There is no way of securing constant punctuality of attendance on the part of directors, but by paying them liberally for that attendance. In some cases where payment has not been given, or given only to the managing directors, it is said that the government of the bank has fallen into the hands of a few persons, whose punctuality of attendance has been almost their only banking virtue. But the main advantage of liberal payment is its effect upon the *minds* of the directors. Every honourable man will attend to his duty with alacrity and energy, and will even make extra exertions

* Committee on Joint-stock Banks, 1837.

for the benefit of the bank, when he finds that his services are handsomely and liberally appreciated.

We need hardly say, that the faults we have pointed out in the administration or constitution of joint-stock banks are by no means inherent in the system. They are accidental circumstances, arising from its establishment in a new country, by parties who had no previous opportunity of understanding its principles. The system is no longer new—its principles are now well understood—and it may reasonably be expected that the calamities of the past will never recur.

SECTION XI.

THE ADMINISTRATION OF THE OFFICE.

IN this section we shall consider the following topics:—

I. The Arrangement of the Office.
II. The Selection and Appointment of the Clerks.
III. The proper Distribution of their Duties.
IV. The Amount of their Salaries.
V. The System of Promotion.
VI. The Rules of Discipline.
VII. The Training of Clerks for higher Offices.

I. The Arrangement of the Office.

The proper situation of a bank is a matter of some importance. It should be situated in what is deemed the most respectable part of the town. If it be placed in an inferior locality, approachable only by narrow and disagreeable streets, and surrounded by buildings the seats of smoky and dirty trades, it is not likely to be so much frequented, nor to acquire so large a business, as though it were more pleasantly situated. Another point to be observed is, that the bank itself should be a handsome building. The necessary expenditure for this purpose is no sin against economy. It is an outlay of capital to be repaid by the profits of the business that will thus be acquired. A portion of the building will probably be set apart for the private residence of the manager, or of some

other officer of the establishment. It is desirable that this portion should be entirely separated from the office. The communication should be only by a single door, of which the manager should keep the key. The building should be so constructed that what is going on in the private house, whether in the kitchen, or the nursery, or the drawing-room, should not be heard in the bank. The office being thus isolated, must then be fitted up in the way that will most effectually promote the end in view. And here are three points to be considered,—*space*, *light*, and *ventilation*.

A chief consideration is *space*. A banker should take care that his clerks have room enough to do their work comfortably. Every accountant knows that he can often work faster if he can have two or more books open at the same time; but if his space is so confined that he must shut up one book, and put it away, before he can use another, he will get on more slowly. The cashiers, too, will be much impeded if they are obliged to stand too close to each other; and the public will be huddled together, and will often count incorrectly the money given to them, and thus take up the cashiers' time to put them right. Want of space will necessarily occasion errors, from the confusion it produces, and from one clerk being liable to interruption from the noise or vicinity of the others. A banker should therefore take care that his office is large enough for his business; and that it will admit of being enlarged in case his business should increase. Ample space is also conducive to the health of the clerks, as there will be more air to breathe, and the atmosphere is less likely to become polluted by the burning of lamps and candles.

Another consideration is *light*. It is well known in every London bank, that fewer mistakes are made by

the clerks in summer than in winter. Abundance of light prevents mistakes, and saves all the time that would be employed in the discovery of errors. Light is also of great importance to the cashiers in detecting forged signatures and bad or counterfeit money. Thieves are also less likely to attempt their robberies in a light office than in a dark one. Faint or illegible handwriting can be more easily read, and hence mistakes are less likely to occur. The clerks, too, perform their duties with more quickness and cheerfulness. The gloominess of an office throws a gloom over the mind; but "light is sweet, and a pleasant thing it is for the eyes to behold the sun."

The lightest part of the office should be devoted to the clerks. We have observed sometimes a violation of this principle. The entrance door has been placed in the middle of the front, with a window on each side, and the counter thrown across the room, so that the lightest part of the office has been given to the public. It is better that the entrance be placed at the right or the left corner, and the counter be made to run from the window to the opposite wall. The light will thus fall lengthways on the counter, and the space behind the counter will be occupied by the clerks.

Ventilation.—Volumes have been written by medical men upon the advantages of fresh air, and on the unwholesome atmosphere of crowded cities. If the air that circulates in the streets of towns and cities is impure, what must be the state of those offices or rooms where twenty or thirty persons are breathing close together during the whole of the day, and gas lights are burning during the evening! In such cases we are told that a person afflicted with consumption of the lungs may communicate the complaint to others, as they must inhale a portion of the atmosphere

which he has breathed out. The air in a close office is not only rendered impure by the number of people that breathe it, and by the burning of gas, but it also contains very frequently particles of dust arising from the floor, through the number of people constantly walking in and out. It is almost impossible for persons so circumstanced to enjoy for a length of time even moderate health. A portion of this evil may be mitigated by a good system of ventilation. To obtain this should be regarded as an object of the first importance. If a banker does not insist upon the architect performing this in the most effectual manner, he must be content to be often put to inconvenience through the illness and consequent absence of his clerks.

Having made due provision for space, light, and ventilation, it will now become necessary to arrange the counter, desks, and other furniture, so as to enable any given number of clerks to discharge their duties with the greatest efficiency, and so as best to promote the public convenience. It is not necessary, or possible, to give very minute instructions on this head, as much will depend upon the form of the building, the extent of the business, and other circumstances. We will notice only a few general objects to be kept in view.

It is desirable at all times to make those arrangements that shall best promote the convenience of the public.

The counter should be readily accessible, and of sufficient length to meet the requirements of the business; and the cashiers' desks sufficiently wide apart for the public to be promptly served, and to stand without jostling one another. Some banks have two counters, one for paying, and the other for receiving. At other banks the cashier does not enter the credits, but merely agrees the amount with the customer, and then passes them to a

clerk, who enters them in the Waste Book. In the same way, when a cheque is presented for payment, he gives it to a clerk behind him, who enters it, and hands the notes to the cashier, who pays out the gold and silver. When the business is large, extra or supernumerary cashiers are appointed, who take the place of the regular cashiers when they are absent at dinner or otherwise, so that during the whole of the day all the cashiers' desks are occupied. To relieve the counter, the payment of bills that have been presented in the morning and not paid, is usually received at a separate desk or office. All these are expedients that should be adopted when necessary, to save the time of the public. There are few things that try a man's temper more than to be kept waiting a long time at a banker's counter; and he will be very apt to give vent to his impatience by quarrelling with the clerks, or reproaching the establishment.

Another object is, to place near together those clerks whose duties will require them to have frequent communication with each other. If this rule be not observed, the clerks will lose much time in the course of the day in passing from one part of the office to the other; and the work will not be so expeditiously performed. It is especially desirable that the ledger keepers should be placed close behind the cashiers; so that if a doubtful cheque be presented for payment, the cashier may be able to show it to the ledger keeper, and be informed if he may pay it, without being observed by the party presenting it.

Another point is, to place the desk of the chief or head clerk in such a position that he can see all over the office. "A master's eye will do more work than both his hands." In this case, if the counter is crowded, the chief clerk will perceive it, and appoint additional clerks to assist the cashiers. If disputes take place between the clerks, or

between the cashiers and the public, he will come forward and settle the matter before the dispute is carried to high words. He will observe, too, the customers who come frequently to the counter, and from their transactions he will often draw conclusions respecting their circumstances which will be serviceable to the bank. It is generally best that many of the clerks should be so placed as to look towards the counter. It has been said that this draws off their attention from their work; but we do not think this is generally the case, although it may occasionally relieve the irksomeness of their duties. A dishonest person standing at the counter, and watching an opportunity of committing a robbery when the cashier is engaged, will be more likely to abstain from making the attempt when the eyes of other clerks have a command of the counter. This arrangement will depend in some measure on the direction of the light. The clerks should not have their faces or their backs towards the window, but the light should fall on them sideways. These matters may appear trifling, but they will not be deemed unimportant to those who are entrusted with the practical administration of an office. It is only by attention to minute things that the business of an office can be well conducted.

II. The Selection and Appointment of Clerks.

When a bank is first formed, they sometimes advertise for clerks; but this is usually for clerks of a higher rank, who have had some experience in the business of banking. When a bank is established, it has seldom occasion for new clerks of this class. A vacancy in one of the higher departments is filled up by the next clerk in rank, and so on in order, and the new clerk comes in as a junior. Applications for this post are usually so numerous that the only difficulty is in making the selection. Those

recommended by parties known to the bank, as customers or shareholders, usually have the first claim. In some banks the nomination of the junior clerks is regarded as a portion of the patronage of the directors, upon the understanding, however, that they nominate none but such as are properly qualified, and who shall prove their fitness to the satisfaction of a committee of directors.

In making inquiries into the qualifications of applicants, it is necessary to ascertain in the first place their age. In London the age at which clerks are admitted into a bank is usually about nineteen. As their first duty is to collect payment of bills, it is necessary they should have arrived at a sufficient degree of strength to be able to make some resistance were an attempt to be made to rob them of their bill-case; and also that they should have arrived at an age to be conscious of the responsibility of their office. In the country parts of England, and in Scotland, clerks are taken at an earlier age; but the duties are different from those discharged by the same class in London.

Another consideration is the class of society from which clerks are taken. Candidates for the office of bank clerks are usually the sons of the middle class of tradesmen, or of professional men, as clergymen, officers in the army or navy, or persons in the service of Government. During the last war, bankers' clerks were generally the sons of tradesmen, as the sons of gentlemen could usually find employment under Government. But now that places under the Government are not so easily obtained, members of what are called respectable families are found among the candidates for admission into the service of banks. Each class has some advantages. The sons of gentlemen have generally a better literary education, and have usually a more courteous address. On the other hand, they have

no notion of business, and no business habits. They have been accustomed to go a-hunting and a-fishing with the sons of men of large property, and they look upon banking business as a drudgery to which they submit from necessity, but which is much beneath the destiny to which they think they are entitled. On the other hand, the sons of tradesmen have been accustomed to notions of business from the ordinary conversation of their fathers' fireside; they know they must get their own living; they look upon their admission into a bank as a lucky event, and, consequently, apply themselves to their duties with heartiness and cordiality.

Another inquiry of those who are candidates for admission into a bank is, How they have been employed? Lads just come from school of course know nothing of the business of a bank, and, if taken at all, they should be taken upon trial for three or six months, so that their qualifications may be discovered before they are permanently appointed. Those who have been two or three years in a merchant's counting-house are generally found to be the most efficient. But to have been in the office of a stock-broker or a solicitor, or to have studied for one of the learned professions, is no recommendation. Clerks from country banks, and especially those from the banks of Scotland, when introduced into London banks, are at first usually considered to be slow.

It is also proper to inquire into the parentage of the candidate. For although honesty and dishonesty do not run in the blood, yet it is probable that religious and virtuous parents have given their children a religious and virtuous education; and a youth who has been accustomed to see examples of excellence at home, will be the most likely to exhibit those excellences in his own conduct. A high degree of moral principle is in itself a

necessary qualification in a post of trust and responsibility, and it is usually associated with a cultivated and improved state of the intellectual faculties.—"If there be in the character not only sense and soundness, but virtue of a high order, then, however little appearance there may be of talent, a certain portion of wisdom may be relied upon almost implicitly. For the correspondencies of wisdom and goodness are manifold, and that they will accompany each other may be inferred, not only because men's wisdom makes them good, but also because their goodness makes them wise. Although, therefore, simple goodness does not imply every sort of wisdom, it unerringly implies some essential conditions of wisdom; it implies a negative on folly, and an exercised judgment, within such limits as Nature shall have prescribed to the capacity."*

Testimonials are to be received with caution. Young men who come to London in search of a place, often bring with them a host of testimonials, which they expect will place them at the head of any list of candidates. When upon other grounds there is an intention of engaging the applicant, these letters of recommendation may sometimes be read. It may be useful to observe by whom the testimonials are given, and whether those persons have had opportunities of judging of the adaptation of the party for the office he seeks. It may also be noticed what qualities are, and more particularly what qualities are *not,* ascribed to the applicant. It has been said that when a lady is praised for being "amiable and accomplished," it may be inferred that she is neither young nor handsome. So if a testimonial speaks highly of a young man's "industry and integrity," it may generally be inferred that he does not possess much talent. It is true that these qualities are of more importance than

* Taylor's Statesman.

talent. But while they are more important, they are also more common. And if a young man possesses any kind of intellectual superiority, the fact will certainly not be omitted in his testimonial.

III. The distribution of the duties of the various clerks is a matter of no small importance. Experience is the only efficient guide in making such arrangements. We may, nevertheless, lay down a few general principles. The great division of the business of a bank office is into the cashiers' department and the accountant's department. In London banks there is a third—the tellers, or out-door department. In the distribution of duties, it is desirable that the accountant's department should be a check upon the other departments. The cashiers must not have the control of the books, nor the accountants the care of the cash. The accountants' books should show what amount of cash is in the hands of the cashiers; and it is the business of the cashiers to show that they have that amount of cash which corresponds with the accountant's books. If the same officer has the care of the cash and the command of the books, he may abstract a portion of the cash, and alter the books to make them correspond. It is further desirable, in large establishments, that two books which act as a check upon one another, should not be kept by the same clerk. While it is not proper to indulge a spirit of suspicion in regard to individuals, it is advisable that the duties of a bank office should be so distributed that the intromissions of any one clerk, either by the abstraction of cash or the falsification of the books, should be liable to immediate detection by the entries in some book kept by another clerk. For the same reason, it is proper that any document issued to the public (such as deposit receipts, drafts on London, &c.) should be signed by two officers, of whom one should

belong to the cash, and the other to the accountants' department. There ought to be a complete division of labour in a bank. Every clerk should have fixed duties to perform, and every duty, however unimportant, should be assigned to some particular clerk. If anything is neglected, there should be no doubt as to who is to blame. No one should be able to say, "It was not my business; it was yours." Nor ought any duties to be assigned in common to two or three clerks, to be performed by them as each may find time. In this case, each will do as little as he can, and nothing will be done well. If any dispute arises among the clerks as to the due division of their labours, a reference should be made to the chief clerk, who will give to each man his work, and hold him responsible for its proper performance.

IV. The Amount of their Salaries.

According to Adam Smith, the wages of labour are regulated by the following circumstances :—1. The agreeableness or disagreeableness of the employments themselves. 2. The easiness and cheapness, or the difficulty and expense of learning them. 3. The constancy or inconstancy of employment in them. 4. The small or great trust which must be reposed in those who exercise them. 5. The probability or improbability of success in them.

Mr. Mill makes the following observations with regard to the salaries of clerks :—

"A clerk from whom nothing is required but the mechanical labour of copying, gains more than an equivalent for his mere exertion if he receives the wages of a bricklayer's labourer. His work is not a tenth part as hard, it is quite as easy to learn, and his condition is less precarious, a clerk's place being generally a place for life. The higher rate of his remuneration, therefore, must be partly ascribed to monopoly, the small degree of education required being not even yet so generally diffused as to call forth the natural number of competitors, and partly to the remaining influences of an ancient custom, which requires that

clerks should maintain the dress and appearance of a more highly paid class.

"It is usual to pay greatly beyond the market price of their labour all persons in whom the employer wishes to place peculiar trust, or from whom he requires something besides their mere services. For example, most persons who can afford it pay to their domestic servants higher wages than would purchase in the market the labour of persons fully as competent to the work required. They do this, not from mere ostentation, but from reasonable motives—because they desire that those they employ should serve them cheerfully, and be anxious to remain in their service—because they do not like to drive a hard bargain with people whom they are in constant intercourse with—and because they dislike to have near their persons, and continually in their sight, people with the appearance and habits which are the usual accompaniments of a mean remuneration. Similar feelings operate in the minds of men in business with respect to their clerks." *

There would be considerable difficulty in applying the rules laid down by political economists with regard to the wages of labour to the case of bank clerks. A banker does not hire a clerk because he is the cheapest man he can get, nor does he dismiss him as soon as he can get another man to do the same work at a lower price. He would not find it his interest to do this; for his work is of a peculiar kind. His clerks must have a certain degree of education and of manner, and be taken from a certain class in society. They are not allowed to engage in any other employment. They have to maintain a respectable appearance. They must be qualified not merely for the lowest post in the bank, but must be prepared to take higher posts should vacancies occur. And in every post they are entrusted with a large amount of property, and upon their integrity and prudence much reliance must at all times be placed. All these circumstances serve to show that, in fixing the amount of their salaries, the banker should be anxious to err (if he errs at all) on the side of liberality.

* Principles of Political Economy, by John Stuart Mill, vol. i. pp. 461—475.

He ought also to take into consideration the effect which the amount of salary produces on the mind and condition of the party receiving it. If an advance of salary quickens the attention or the zeal, or strengthens the fidelity of a party, or induces him to cultivate those talents which add to his efficiency—or if it enables him to move in a higher class of society, and gives him a station and an influence which enable him to be useful to the bank—then is such advance of salary—though entered in the books under the item of expenditure—an outlay of capital which is repaid to the banker with interest in the effect it produces—an outlay that becomes probably one of the most profitable of his investments.*

In all banks the junior clerks have lower salaries than the senior clerks. In Scotland, a clerk usually serves an apprenticeship of three years, during which he receives but a small salary. This plan has been introduced into

* We have great pleasure in transcribing the following letter from Mr. Samuel Jones Loyd. It was addressed to the chief clerk of his London bank. We abstain from all eulogium, as the letter will speak for itself:—

"DEAR MR. KIRBY,—The enclosed draft for 1,000*l.* I request you will place to the credit of the 'Clerks' Christmas Fund.' At the close of the first year since my accession to the head of this concern, I am desirous of offering to those through whose assistance I have been enabled to bring it to a satisfactory conclusion some substantial proof of my sense of their services, and of the interest which I feel in all that concerns their comfort and happiness. The year now closing has been marked by some circumstances of an accidental and temporary character, which have tended to throw an unusual degree of labour and trouble on the clerical department of the office. Of the readiness with which this difficulty has been met and overcome I am very sensible, and for this, as well as for the uniform zeal and integrity with which the general duties of the office are discharged, I beg that the clerks will accept my grateful acknowledgment, and that you and they will believe me to be the faithful friend of you all.

(Signed) "S. J. LOYD.

"*Lothbury, Dec. 24th*, 1845."

some of our country banks. In London it does not exist. In the private banks, a junior clerk usually commences with 60*l.* a-year, and a portion of the Christmas money. In the joint-stock banks, where no Christmas money is allowed, the commencing salary is usually 80*l.* But the rules of advance are various, and, indeed, must be so, depending as they do upon the prosperity of the banks, and other contingent circumstances. One bank may assign a certain fixed annual increase to each clerk, whether he advance in rank or not. In this case, his salary will be regulated entirely by the number of his years of service. Another bank may have a fixed salary for each post, and a clerk has no increase of salary except when he takes a step in rank. Another bank may adopt a scale of salaries combining the principles of the other two. For instance, every post in the bank may have a fixed *minimum* salary. But each clerk holding a post for a certain period (say for five years) has an annual advance for that period. Then he stops, and receives no farther advance until he is promoted to the next post, where again he becomes entitled to the annual advances belonging to that post. We give no opinion as to the respective merit of these plans. But there is one principle we would enforce—that the salaries of the clerks should be regulated by the prosperity of the bank. If the bank is prosperous, the clerks ought to share in its prosperity; and if the bank is unfortunate, the clerks must consent to share in its ill fortune. But, under any circumstances, a scale of salaries is desirable. It prevents caprice on the part of the bank, and jealousy on the part of the clerks. The amount of salary in each case should be fixed by rule, and not by favour.

With reference to this subject we quote from Mr. Taylor's work, entitled "The Statesman"—a work which

he states to have been the result of twelve years' official experience :—

"It is often said, that in order to get efficient service good pay must be offered. But this is not true, as applied to first appointments of young men. On the contrary, it will often happen that the largeness of the temptation, by bringing into activity the most powerful interests through which abuses of patronage are engendered, will lead to the appointment of a worse man than would have been obtained by a smaller offer. On the other hand, though men of promise are to be *had* cheap, whilst they are young and their value is little known to themselves or others, they cannot, when this is no longer their condition, be kept for a small consideration, or at least kept contented. But a reasonable degree of contentment is of essential importance where the understanding is the workman. There is no position so strong as that of a man who stands upon his head; and if he be not induced to the activity of just thinking and clear reasoning, he will hardly be coerced to it. Upon the whole, therefore, I would say, that what is most conducive to good appointments in the first instance, and thenceforward to deriving benefit from them, is to offer small remuneration to the beginner, with successive expectancies proportioned to the merits which he shall manifest, and of such increasing amount as shall be calculated to keep easy, through the progressive wants of single and married life, the mind of a prudent man. Upon such a system, if unfit men belonging to influential families shall make good an entrance into the service, they will be more easily got rid of; since, finding that they have got but ltitle in hand, and have but little more to look to, they will hardly be desirous to continue in a career in which they must expect to see their competitors shoot ahead of them."*

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* The following is an account of the total amount of salaries, morning money, gratuities, &c. paid to the servants of the Bank of England in London and at the branches, and of the number of persons to whom the said amount was paid, for the year ending the 29th of February, 1832 :—

820	Clerks and porters	£211,903 10 10
38	Printers and engravers	
82	Clerks and porters at the branches	
940	Average 225*l.* each.	

Amount of pensions paid in the same period, 193 pensioners, average 161*l.* each, 31,243*l.* 18*s.* 11*d.*

Securities.—In all banks the clerks give sureties for their integrity—usually two, of 500*l.* each; and in some banks these amounts are increased on accession to higher offices. Of late years societies have been formed, both in England and Scotland, for the purpose of giving, on the part of clerks and others, the amount of security required. These societies allege that—

"Suretiship by private bondsmen is attended with various inconveniences and objections; instances have constantly occurred in which persons of the highest respectability have been obliged to forego valuable appointments, from either the great difficulty of obtaining security, or a repugnance to place their relatives or friends and themselves under the obligations involved therein. The society undertakes, on the annual payment of a small sum, to make good in case of default by fraud or dishonesty any losses which may be sustained to an amount specifically agreed upon, and by such means obviates the necessity for private sureties, as well as the obligations arising therefrom, which often prove as prejudicial to the best interests of employers as to the party seeking guarantee."

"The association offers to the public the following advantages:—

"To the employed.—It obviates the difficulty of obtaining the requisite securities for personal integrity, which has often placed an insuperable barrier in the way of many persons of the highest character and ability; it affords facilities to those in pursuit of employment, and relief from the embarrassment attendant upon asking, with the uncertainty of obtaining, private suretiship; and removes that weight of obligation and discomfort which such engagements necessarily impose.

"To the employer.—The ample capital of the association, with the power and supervision lodged in the Board of Trade, renders the policy of the company much more valuable than that of any individual, inasmuch as it is not liable either to doubt or depreciation. In large establishments, both public and private, where the securities are numerous, and the sureties often resident in many different parts of the country, and known only by repute, it becomes nearly impossible to watch over their continued existence and solvency; and cases of default have frequently occurred when, upon investigation, it has been found that all the sureties have been dead for many years."

"The rates are from 10*s.* per centum per annum and upwards, (according to the nature of the employment,) on the amount of security required.

"No charge is made for stamp duty except in special cases; the usual

legal expenses of surety bonds will therefore be entirely avoided by persons who enter on their respective duties under the guarantee of this society.

"A reduction is made in the premium on the sixth annual payment."

The Lords of the Treasury, and a great many banking companies, have accepted the guarantee of these societies.

A new society has recently been formed, entitled "The United Guarantee and Life Assurance Company," the object of which is to grant policies for fidelity of trust, combined with policies of assurance on life, or with deferred annuities or endowments. The following are extracts from the prospectus:—

"Public guarantee and life assurance are in principle and practice so closely assimilated, that they may be fairly recognised as the relative accompaniments of each other, and their specific advantages are here mutually presented to the public at a considerable reduction of premium.

"In order to provide against the numerous cases of hardship and constant uncertainty to which private bondsmen are exposed, the directors confidently recommend the combined application of the two principles to all classes who may be called upon to assume the risk, or who may stand in need of it from others.

"The superiority of the policies of a public company has, in consequence of the serious losses which have arisen from decayed or depreciated sureties, induced the heads of public institutions and private mercantile firms to require those engaged in their service to provide the guarantee of a public company, in lieu of, and in preference to, that of private individuals. How much more valuable must that surety become when strengthened and additionally secured by the contingent personal interest (increasing yearly in value) of assurance on life?

"The life policies thus issued, payable either at a given age, say 50, 55, 60, and 65,—or at death, should that event take place before,—or for the whole term of life,—and the deferred annuities, so granted in conjunction with the fidelity policies, will, in the event of breach of trust, be cancelled, and the premiums paid thereon forfeited. This, however, can only occur by a voluntary act of the assured themselves, and will not in any other respect affect the value of the life policies or annuities.

"Particular attention is requested to this system of granting deferred annuities, in conjunction with policies for the fidelity of the annuitants; by which it will be seen that, upon paying a moderate sum annually to this company, any young man of approved character may secure, in addi-

tion to a policy for his fidelity, a certain provision of 50*l.* per annum for the remainder of his life, commencing at the age of 50 or upwards.

"To the provident among that numerous class of persons who either hold or are seeking situations of trust and responsibility, this company offers the most complete substitute for pensions in old age, which may thus be secured by the assured themselves.

"The value of this union of the two principles will be extended to parties who desire surety policies, and whose health may not be sufficiently sound to render their lives insurable at the ordinary rates; and who may endow a child to receive, say 100*l.* upon attaining the age of 21, a plan which will be found pre-eminently advantageous to those engaged in occupations of trust, and of limited income.

"It will be manifestly apparent that the risks thus combined will render the surety policies so granted infinitely preferable to those provided by private sureties and other guarantee companies; and that they hold out to the employers increased security, by making the assured specially interested in their own good conduct; and to the employed or assured, they ensure a greater share of confidence from their employers, and independence to themselves, than under the common form of policy, and they are relieved in a great degree from paying for the dishonesty of others.

"Should the assured at any time wish to discontinue the surety policy, the life policy will not be affected thereby, but will remain in force upon payment thenceforth of an annual premium to be specially calculated.

"To persons whose lives are assured in this company, and who may, at any future time, require policies for their fidelity, the directors will be prepared to grant the same, in conformity with the regulations of the company, on the payment of a moderate addition to the premium chargeable on the life policies alone."

The claims of the society are farther set forth in a pamphlet on "Public Guarantee and Private Suretiship," published by its Secretary, Mr. James Knight.

In the year 1841 the Bank of England took measures for discontinuing the system of requiring sureties from the clerks. Every clerk subscribed annually two shillings per cent. upon the amount of his surety-bond. When he had subscribed in the course of five years (or immediately if he chose), ten shillings per cent., the liability of his sureties ceased. Every new clerk subscribes, when admitted, ten shillings per cent. on the amount of the bond

he would otherwise give. These contributions are invested in the Three per Cent. Reduced, or Consols. This fund is fixed at 6,000*l.* stock. When at this amount, the interest is given to the "Clerks' Widows' Fund," a fund established by the clerks, with the assistance and support of the bank. When the claims have reduced the guarantee fund below 6,000*l.* the interest goes to this fund until it has increased to this amount. If the claims reduce the fund so low as 4,700*l.* then the clerks are required to make a further contribution until the fund is again raised to 6,000*l.* But this contribution is never more than two shillings per cent. per annum on the amount of their respective bonds. Nor can any claim be brought against the fund greater than the amount of the bond that would have been required from the defaulter. The clerks still give their personal bonds, which are for the full amount of their deficiencies. This is an admirable plan for a large establishment. In adopting it the directors have shown a sound discretion, as it makes all the clerks interested in watching over one another. At the same time, they have manifested that kindness and goodwill which have, we believe, at all times distinguished the Directors of the Bank of England in their conduct towards their clerks.

V. The System of Promotion.

It need hardly be observed that some posts in a bank are more important than others, and it is always desirable that the most clever men should occupy the most important posts. This object is desirable, but how is it to be attained?

The three main divisions of employment in a London bank are—the cashiers' department—the accountant's department—and the tellers', or out-door department. All the clerks enter in the first instance in the tellers'

department, and their first duties comprise the collection of the payment of bills. The senior tellers are occupied within doors in various duties connected with the out-door operations. From this department, as vacancies occur, the clerks are promoted to higher posts in either the cashiers' or the accountant's department.*

The Cashiers' Department.—The cashiers of a bank stand at the counter, and attend to the public. These officers, in Scotland, are called tellers; but in Scotland their duties are less important, as tellers pay no cheques until they have been marked by the accountant, who is their superior officer. We should form a very inadequate idea of a cashier in a London bank if we considered him only as a mere counter of money. Quickness in counting money is indeed one very necessary qualification. But besides this he should have such a mental organization that he can recollect the general average of each customer's balance, so as to be able to pay their cheques without a too-frequent reference to the ledger-keeper. He should also possess a quickness of eye in detecting forged signatures—a self-possession, so as to be cool and collected when the counter is thronged with people—a command of temper, so as not to be irritated by undeserved reproach—and not only a general courtesy of manner towards the public, but a peculiar urbanity towards the customers of the bank, with a readiness and an anxiety to promote their convenience in any matter on which they may require information or advice. In fact, it may justly be said, that there is no class of clerks on which the reputation of a bank with the public so much

* It is of course only in large banks, where there is necessarily a great subdivision of labour, that these three departments exist in a separate form. In smaller banks, though the duties are the same, yet one clerk may, in one day, perform duties belonging to each of the three departments.

depends as on the cashiers. And hence, in London banks, those clerks who are deemed the quickest, the most able, and the most gentlemanly, are usually promoted to this office.

The *Accountant's Department* refers to the keeping of the books and the accounts. The main qualifications for the clerks in this department are—good hand-writing, accuracy in figures, and method in the arrangement of their work. Slowness is no positive disqualification, provided it be associated, as it often is, with application and perseverance. An accountant is not compelled to do any given quantity of work within a given time. By a proper arrangement of his duties he can usually contrive to keep himself pretty equally employed during the whole of the day, and on busy occasions he can perform what remains in the evening, after the hours of public business. A steady perseverance is of the first importance. But we must distinguish between those qualities required in the clerks of the accountant's department, and those required in the accountant himself.

The chief accountant in a bank is not a mere book-keeper. It is one thing to keep a set of books previously prepared and arranged, and another to frame a set of books, or a new system of book-keeping, adapted for any operation that is proposed to be carried on. In the latter case, mental powers are required that are by no means common. And even where a system is established, the chief accountant of a bank will often have occasion to consider the best way of passing certain transactions through the books—of framing abstracts of operations which the books may not immediately supply—of making difficult calculations, and of examining lengthy and complicated accounts, and exhibiting them with clearness and brevity. A good system of book-keeping, and a clear-

headed accountant, would have prevented many a bank from stopping payment.

From this statement of the qualifications of cashiers and accountants, it will appear that most clerks will be more fitted for one office than the other, and it is desirable that each clerk should be placed in the department for which he is best adapted. Where there is no peculiar adaptation, and where there is no marked difference among the clerks, the promotion should go according to seniority—not seniority in regard to age, but seniority according to the time they have been in the bank. But it will often happen, not only in the first, but also in subsequent steps of advancement, that the clerk who is entitled to a vacant post by length of service, is not so well qualified for it as some of his juniors. But even in this case, the individual should not be passed over, if he can perform the duties with an average degree of efficiency. Should he, however, be wholly unqualified, or fall below mediocrity in his qualifications for the office, there should be no hesitation in promoting over him some other clerk better adapted for the office. As, however, all such cases will give rise to some suspicion of favouritism, and as the party who is passed over is sure to think himself unfairly treated, it is desirable that the clerk thus promoted should possess such a marked superiority over the other, that no doubt can exist of the justice and propriety of the arrangement. On this subject, we again quote Mr. Taylor's Statesman :—

"The claims of promotion are twofold :—First, merit; second, length of service. And the difficulties to be considered are those which arise when these claims clash; that is, when the most meritorious officer is not he who has served the longest. And, having regard to the large public interests and the deep individual concernments with which they deal, it may be stated broadly, as a general rule, that merit, or in other words, industrious ability, should be the one essential consideration to be regarded in their promotion. But the question then arises, Will

the judge be always incorruptible and infallible? And if not, how are injustice, favouritism, and abusive promotion to be guarded against? The answer, as I conceive, is, that there can be no perfect protection against these evils; that the principle, (like most other principles,) resolves itself into a matter of degree; and that the protection will be adequate in the main, if the rule of preferment by merit, as against seniority, be applied only where there is a marked distinction of merit. For there are divers securities, each of which may be more or less leant upon, the aggregate of which will afford in the main all but a certain reliance, where the distinction of merit is marked. If motives of favouritism be at work, the most able and useful officer will at all events have a fair chance of being the favourite. But if he labour under some defect (as unsightliness, ill manners, &c.) which, without impairing his public utility, tends to throw him out of favour, he will nevertheless have that hold upon the self-interest of his principal, which he wants upon his goodwill. Further, of this intellectual order of men, there will hardly ever be ten brought together, of whom one will not have a *generally-acknowledged* superiority to the rest. Even the vanities of men make them just as umpires; and he who cannot pretend to postpone nine others to himself, will not consent to postpone himself to any but the best of the nine. It will be found, then, that a man's reputation amongst his fellows in an office will seldom fail to be according to his deserts, and that where the superiority is marked, the award of common repute will be both just and decisive; and being so, it will rarely happen that the patron will be induced by any motive of favouritism to brave the reproach of disregarding it. In short, it is the nature of industrious ability, acting through various methods and upon various motives, to vindicate its own claims under any system in which those claims are recognised; and the system which shall conform to this natural tendency, and be so framed as to legitimate the rising of what is buoyant, will be found to work the best.

"There is, however, a certain moderating hand to be applied, even in the preferment of merit. Except in urgent and peculiar cases, in cases of extreme necessity on the part of the service, or extraordinary endowments—and character also—on that of the individual, preferment should proceed, as Lord Bacon teaches, '*per gradus, non per saltus.*' For, besides the ordinary evils attendant upon sudden elevations, it should be observed that the hope, and not the fact, of advancement is the spur to industry; and that by a large dispensation of reward at once, which cannot be followed by like rewards in future, the patron sinks his capital and forestalls that revenue of reward which should furnish him with resources of inducement through successive years. Moreover, if a man be advanced largely at once, there will not only be little room left for his

further promotion, but that little room will seem less when measured upon the scale to which his ambition will now expand itself; for he who has advanced by a stride, will not be content to advance afterwards by steps."

VI. The Rules of Discipline.

As the discipline of the office must depend very much upon the chief clerk, a description of his duties will describe many of the duties of the other clerks.

The office of chief clerk requires qualifications of no ordinary kind. It need hardly be said that he should possess a thorough knowledge of the business of the office. He ought also to possess certain moral qualifications, such as a command of temper, a love of order and regularity, a rigid adherence to discipline, accompanied by kindness of disposition and of manners towards his colleagues, a gentlemanly and courteous demeanour, and, above all, he will be expected to exemplify in his own conduct those precepts it may become his duty to inculcate upon others.

The following are the principal duties of a chief clerk :—

To see that the clerks come at proper time in the morning, are not absent unnecessarily during the day, and that they do not leave the bank at night until they have finished their work.—To see, by occasional inspection, that all the books of the office are kept in a proper manner, and where he finds this not to be the case, to give such instructions and admonitions as the circumstances may require.—To see that during the day the counter is properly appointed, and that no delay takes place in attending to the wants of the public. For this purpose it is desirable that his desk should be so placed as to command a view of the counter.—To see, by occasional inspection, that the customers' books are written up in a proper manner, and in case of complaint, he will personally investigate the matter, and explain it to the customer.—To see, early in the morning, that the balance was correct

on the preceding night, and when otherwise, he will himself attend on the second or third evening, and direct that proper means be employed to discover the difference.—To count, at such times as may be deemed proper, the money of the several cashiers, and when necessary to report thereon to the Banker.—To see that all the officers of the bank conduct themselves towards each other and the public in a courteous and gentlemanly manner, and to maintain throughout the office a proper state of discipline and subordination.—To take charge of the stationery and other matters used in the office, and to prevent any loss or waste of any portion of the property of the bank.

Besides the points of discipline hinted at in the above description, there are others that may require more particular notice, as

Punctuality of Attendance.—To ensure punctuality of attendance in the morning, some banks adopt the practice of keeping a book, in which every clerk writes his name on his arrival, and when the time has expired, a line is drawn, which shows who has arrived in time and who has arrived late.

Punctuality of attendance is an index of character. It may fairly be inferred that those who are the most punctual in the morning will be most attentive to their duties during the day, that they have formed the most regular habits, and are, consequently, the most deserving of promotion. Those, too, who are the most punctual are the most deserving of occasional holidays. They who are habitually late must be regarded as having chosen to take their holidays by piecemeal each day, and they can, therefore, have no claim to other holidays besides. In all applications for promotion or leave of absence, it is deserving of inquiry, whether the party is usually

punctual in his attendance. With regard to absence from illness, it cannot be supposed for a moment that any clerk would pretend to be ill when he is not so, in order to have an excuse for absenting himself from the bank. An act of this kind would show such a want of personal honour as should be a disqualification for holding any office in a bank.

"Few things occasion more dissatisfaction and annoyance to the superiors in a bank than the absence of clerks on every slight attack of illness. Unless a clerk feels himself quite unable to perform his duties, it is very injudicious for him to absent himself. It interferes with his promotion, for his superiors will be reluctant to advance him to any post where his absence would be more inconvenient than while he is engaged in an inferior situation. In addition to this, the superior in the office may attribute the attack of 'bile' or 'indigestion' to the indulgence of a convivial taste, which it will be well for a clerk to avoid obtaining a character for. And, under any circumstances, a man who continues at his post as long as he is able, will stand much higher in the estimation of those with whom he is engaged than he who forsakes his duties on every trivial occasion."*

A clerk should take care of his own health. We think it is better for him to stand than to sit at his work. His desk should be raised to such a height that he can do this without stooping. He should at all times avoid pressing his chest against the edge of the desk, as that may produce serious complaints. The post most friendly to health is that of cashier. He is generally standing; his attention and mental faculties are in more constant activity, and he is obliged to talk, which is useful to the lungs. It

* The Banker's Clerk, p. 151, an excellent little work, published as one of the series in the "Guide to Service," by Mr. Charles Knight.

may be doubted whether the exercise of the intellectual faculties, when not carried to excess nor attended with anxiety, is ever injurious to health. Those mental operations which are connected with the office of a bank clerk are in themselves beneficial. It is the confinement, the impure air, and the keeping of the body too long in one posture, that affects the health. Hence, clerks should live at a distance from the bank, and *walk* to and fro. If they reside at the bank, they should take exercise in the open air, either in the morning or the evening. When the weather is bad, they can walk up and down the room, with the windows open. Any kind of amusement that should throw the body into a variety of attitudes, would be useful. Singing is friendly to health, if not carried to excess, nor practised in confined or crowded apartments. Boating, in moderation, is serviceable. Gardening is highly beneficial. A clerk who wishes to enjoy good health should never keep late hours, nor get into debt, nor gamble in the funds. He should also have a hobby, that is, some kind of fixed amusement to employ his time when absent from the bank, in order to change the current of his thoughts, and to counteract those evils that sometimes arise from a monotony of occupation. If this hobby should be of a kind to be useful or instructive as well as recreative, all the better. The great disease against which he should guard is consumption. He will be more subject to this in youth than in more advanced age. And it has been remarked that healthy young men, fresh from the country, when appointed clerks, have become more susceptible of consumption than less robust persons who have been seasoned by a residence in London.

The Bank of England have a medical gentleman who attends at the bank one hour every day. He is employed by the directors upon matters connected with the health

of their clerks. Every clerk when appointed, is examined, to ascertain that he is in good health. If he applies for leave of absence on the ground of ill health, he undergoes a medical examination. If absent from illness, he is visited by the bank surgeon, who reports to the directors upon the nature of his complaint, and its probable duration. If a clerk complains that his employment is injurious to his health, he is examined, and in some cases his employment is changed. If he applies for a pension on account of age or illness, he is also examined. In each of these cases a formal medical report is drawn up, and laid before the directors. The present surgeon is Mr. Alfred Smee, F.R.S., of Finsbury Circus, a son of the chief accountant of the bank. It is not his duty to prescribe for the clerks; but in the case of the porters or messengers, he acts as their medical attendant, and is paid by the bank.

It is worthy of inquiry, whether this excellent arrangement might not be extended, and adopted by other banking institutions. Why should not every large company give a fixed salary to a medical man to attend to the health of all their clerks? This would often be useful in preventing illness, or in checking its first approaches. It would thus preclude, in some cases, those inconveniences which are now felt through the absence of sick clerks; while it would be a boon to the establishment, and save them what, in some instances, must be a heavy item of expense.

Holidays.—It is desirable, on several accounts, that all the officers of a bank, and especially those who are entrusted with cash or other property, should once a year have leave of absence for at least a week or a fortnight. This should not even be optional—it ought to be a fixed rule with which they should be expected to comply. These absences should be arranged to take

place at those seasons of the year when they will be of the least inconvenience to the business of the bank. These holidays ought to be readily granted on the ground of kindness and humanity; but where these feelings do not exist, motives of self-interest alone would prompt a ready acquiescence in such applications. In the first place, a great inconvenience is often experienced in large establishments from the illness of the clerks when they are denied proper seasons of relaxation. In this case, the loss of time from ill health is greater than that which would be occasioned by holidays. A sick clerk, even when he attends to his duties, is neither so quick, nor so correct, nor can he get through so much work, as a clerk who, by proper recreation, has been kept in perfect health. These occasional holidays tend very much to improve the efficiency of an office. When a clerk is absent, the next in seniority takes his place; and when all the clerks have been absent in turn, every duty in the bank becomes perfectly familiar to at least two persons, so that in the case of those absences which arise from unavoidable causes, little inconvenience comparatively is felt. But while the bank is thus rendered independent of any one individual, it must not be supposed that the absence of a clerk lessens the importance attached to his services. When a clerk is really efficient, an occasional absence renders his value more apparent, and increases the estimate formed of his character. While the indulgence he has received will stimulate his energies and increase his desire to render himself more than ever useful to his principals.

Another advantage to a banking establishment from the absence of their clerks is, that it furnishes an additional guarantee for their honesty. We have known instances of frauds being carried on for several years by

clerks who were constant in their attendance, while a single day's absence would necessarily have led to a detection of their dishonesty. When a clerk takes his holidays, all the property under his care is given over into other hands, and the knowledge that he will be called upon to do this periodically, may deter him in the first instance from commencing a career which must thus be necessarily exposed.

The following is stated in a City Article of the *Times* to be the arrangement of the Bank of England on this subject :—

"It is not generally known that the Bank of England have recently entered into an arrangement by which all the persons on the establishment are allowed leave of absence once every year, the holiday varying in length according to the length of service. To carry out this plan, the whole number of persons is divided into four portions, and each of these four portions takes the vacation in one of the four periods of the year that follow the payment of the dividends, and precede the shutting, these being the periods in which the least business is done. So complete is the system, that the parties who take their holiday in the spring quarter one year, take it in the summer quarter in the year following, and so on through all the four, that one may not have an unfair advantage over the other. The shortest holiday, we understand, is about nine days, and the longest about three weeks."

Customers' Books.—It should be a great object with the chief clerk to see that the customers' books are written up correctly and neatly, in a good hand-writing, and free from blots or erasures. These are the only books that go out of the bank, and therefore they are the chief means by which the customers can judge as to the manner in which the business of the office is conducted. It is not advisable that the writing up of these books should be left to the junior clerks. They should be placed in the hands of clerks of some standing. The same book should always be written up by the same clerk; and when it can be so managed, the credit and debit side

should both be in the same hand-writing. One of the best writers in the office should be appointed to this post, and his salary should be proportionate to its importance.

It is the practice of all bankers to let the customers' book be a copy of the ledger with the sides reversed. Thus the credit side of the ledger is the debit side of the customers' book. The reason assigned for this is, that the ledger is the banker's account against his customer, and the book is the customer's account against the banker. Hence the customer, when he looks at his book, has at his left hand the sums with which he has debited his banker, and at his right the sums which are to the banker's credit.

Cashier's Deficiencies.—It cannot be expected that a cashier can receive and pay away money for a whole year, and yet never make any mistakes. Some deficiencies will be sure to arise. Each cashier is considered liable to make good his own loss. But, to meet these deficiencies, some banks allow to each cashier a certain sum—say 20*l.* or 30*l.* per annum—which is called risk-money. Others pay such deficiencies as may arise during the year, giving an admonition to any cashier whose deficiencies are unsually large. Superior accuracy in this respect is also considered as one test of superior merit, and therefore as forming one claim to promotion. When a cashier takes his holidays, he delivers up his cash to the chief clerk, who counts it, and sees that it is correct, and then delivers it to the clerk who is to act for the cashier, who signs an acknowledgment in the money-book that he has received the right amount. The cashier, on his return, will make a similar entry. It is said to be the practice in some establishments for the chief clerk to count the cash of all the cashiers every Saturday night. But when, from the extent of the business, this cannot be done, he counts

the cash of each cashier individually, at such times as may be most convenient to himself, giving the cashier no previous notice of his intention to do so. He immediately reports to the banker any deficiency he may discover. In all banks it is understood that the cashier is not allowed to apply any part of the bank money, even temporarily, to his private use, nor to lend any sum, however small, to the other clerks, upon their I.O.U.s, or other engagement. Any violation of this rule, though with no fraudulent intention, is considered a sufficient ground for instant dismissal.

Gambling in the Funds, or in Shares.—Some banks make it a rule to dismiss any clerk that is found to be engaged in transactions of this kind. The evil effects of such practices are very great. Speculative engagements will necessarily distract their minds, and draw their attention from their official duties. If unfortunate, their personal comforts may be diminished: they may incur debts that will require years of saving to liquidate, or they may be tempted to actions which would ruin themselves and disgrace their families.

VII. The Training of Clerks for higher Offices.

Whatever natural talents a young man may have when he enters a bank, he cannot be expected to perform his duties well until he has been instructed. There is a good way and a bad way, a quick way and a slow way, of performing even the most simple operation. Incorrect or slovenly habits, when once acquired, are not easily abandoned. When, therefore, a young man enters a bank, he should be placed under the tuition of another clerk, well qualified to instruct him with regard to all his immediate duties. It is also desirable that the chief clerk should not have much manual labour, but should have leisure to walk

round the office—stand for awhile at the elbow of each clerk—observe his peculiar defects—and give such instructions as he may deem necessary or useful. The senior clerks, generally, should also be ready at all times cheerfully and courteously to give instruction to their juniors.

There are many ways of ascertaining the relative merits of a clerk. There is one obvious way; that is, to inspect the books which he keeps. It can readily be seen if they are kept in a good and neat hand—if there are any blots or erasures — and if they indicate any great degree of carelessness or otherwise. Quickness is generally an evidence of cleverness. A clerk who can count notes very fast, or who can cast up a long column of figures very quickly, and yet accurately, is generally a clever man. Quickness of hand denotes quickness of head, and it will generally be found that these two kinds of quickness go together. We do not say that this mechanical quickness of head proves soundness of judgment, but neither does it prove the reverse. In a clerk it is a decided recommendation.

Another test of the cleverness of a clerk is, the opinion formed of him by his fellow-clerks. When men associate together day after day for a number of years, both their excellences and their defects become known to each other, and each man falls into the position to which his qualities entitle him. The opinion which any one clerk expresses of the relative merits of the other clerks will generally be correct, when his own interest is not concerned. The opinion he may express will, in fact, be the opinion of the office, formed not only on his own experience, but also on the experience of all the other clerks.

The report of the chief clerk will generally express this united opinion of the office. But it is well for a banker to

keep himself well acquainted, at all times, with the sentiments generally entertained by the chief clerk respecting the other clerks, and not ask his opinion merely when there is an opening for promotion. On these occasions feelings of kindness, or the reverse, may induce a chief clerk to speak of the party in a somewhat different tone from that which he would employ in ordinary times.

With a view to the proper training of clerks, it is desirable that there should not be too many in proportion to the work. If the clerks are unemployed for any considerable portion of the day, their habits of attention, of industry, and of quickness are impaired, so that they do less work even in those hours in which they are occupied. The duties of each clerk should be sufficiently heavy to require a continuous application of the mind during the whole of the working hours. If a banker find that the clerks have time to read books or newspapers, or to carry on either gambols or quarrels among themselves, during the hours of business, he may safely infer that he has too many hands. By reducing the number he will make each clerk more efficient, and the work will be better done. He will also be able to increase their salaries individually. It is better that the same amount of money should be distributed among a smaller number of effective men than among a larger number who are less effective. The amount of Christmas money received by each will also be greater.

For the purpose of training the clerks, it is desirable that their labours should be so subdivided as that the duties of one office should be a training for the office immediately above it. The clerk, on his entrance into the bank, will thus have to perform those operations that require the least degree of professional knowledge—of knowledge peculiar to the business of a bank—and will advance

step by step, (each step requiring but a small addition to his previous knowledge,) to the higher posts. When it is ascertained for which department—the cashier's or the accountant's—the teller is best adapted, he should be put into that post the operations of which will form the best training for those duties which, when promoted, he will have to discharge.

The occasional absences of the clerks are conducive to their improvement. The juniors thus learn to perform the duties of their superiors. New arrangements are formed temporarily for a different division of labour, and, the hands being fewer, an additional stimulus is given to exertion. It is also useful, when it can be done, for the clerks to change occasionally, and do each other's work. Every clerk should be encouraged to suggest any improvements for abridging or facilitating his own labour. When a bank has several branches, it is often advisable that an occasional absence at one branch should be supplied by a clerk brought from another branch. A good inspector of branches will inspect the cashier's and the accountant's department, as well as the manager's; and when he finds any improvement at one branch, he will introduce it into all the other branches.

But the greatest stimulus to improvement in the clerks is an impartial system of promotion. It is, perhaps, desirable that instances should occur sometimes, of a clerk, who is entitled to a higher post from seniority, being unfit to take it, in order to show that superior merit is regarded. But it should always be obvious that the clerk who is promoted has superior merit. If a clerk is put over the head of another from favouritism, or caprice, on the part of the banker—or from the influence of friends, customers, or shareholders—or even for qualities good in themselves, but not increasing his efficiency as a

clerk—then will great evils arise from his appointment, even though he should be as well qualified as the man who was entitled to the post from seniority.

Another effectual means of training clerks is the daily balance.

The books are balanced every night, before the clerks leave the bank. But mistakes will necessarily occur during the day, and to discover these will occupy a little time. The total amount of error is called "the difference;" and to endeavour to discover the error is called "searching for the difference." Those clerks who are thus employed in the evening are said to be "upon the balance." In large establishments it is usual to divide the whole body of clerks into classes, who take it in turn to be "upon the balance." By this arrangement, all those who are not "upon the balance" can leave the bank as soon as their own work is done. The smaller the number of clerks on the balance, the better. Thus, in a bank of forty-two clerks, six would be sufficient to be on the balance. If a larger number—say twelve—were retained, the juniors would do nothing, or else they would be employed on the inferior books, from which they would learn nothing. But when only six are retained they must all work, and, what is better still, they must all think. They will all acquire a thorough knowledge of the whole system of book-keeping, and be able to ascertain in what way errors in one book may counteract errors in another book, and how the errors discovered will bear upon "the difference." In large establishments almost the only way in which a junior clerk can learn the whole system of book-keeping, is from being "upon the balance." But this is an effectual one. It also gives him an opportunity of showing his talents. Some clerks are far more quick in discovering the difference than others are; and this quickness is generally a fair criterion of the general

talent of the party. The clerk who "skulks" the balance avoids the best means of improvement, and the best opportunity of showing his talents. But such persons have usually no talents to show. A clerk who acts in this way betrays a consciousness of being a fool.

We have here spoken of that kind of training which is adapted to the making of clever clerks. But as in the joint-stock banks a clerk may become a manager, it is desirable that those clerks who are deemed the most clever should be put under a course of training that will, with experience, qualify them for that office. It is, in some respects, more difficult to do this in a large establishment than in a small one. In a bank that has forty clerks, one clerk sees only a fortieth part of its operations. In a bank where there are only ten clerks, one clerk sees a tenth part, and may easily acquire a tolerable knowledge of the whole. A bank that has many branches has a great facility for training clerks to become managers. When a branch manager is absent from illness, or any other cause, one of the senior clerks of that or some other branch will take his place, and thus gradually become accustomed to the duties of the office.

The clerks thus selected for this kind of training should be young men who are quick and efficient in the discharge of all their official duties, and, moreover, possess a good temper, gentlemanly appearance and manners, a degree of literary information, with a desire of improving their knowledge and their talents. They should not be young men who have entered the bank until they can get something better, but those who look to banking as their profession, and are ambitious of attaining to the highest posts in the establishment. But beyond the qualities we have enumerated, it is necessary, above all things, that they should have habits of business.

"Habits of business is a phrase which includes a variety of qualities—industry, arrangement, calculation, prudence, punctuality, and perseverance. And these virtues are exercised, not from the impulse of particular motives, but from habit. If you hear a man boast of being industrious, you may safely infer that he does not possess the habit of industry, for what a man does from habit, he does mechanically, without thinking of the merit of his actions, though they may be highly meritorious. Habits of business are essential to a merchant. But though essential to a merchant, they are not peculiar to him. They are as necessary to a professional man as to a merchant—as necessary to ladies as to gentlemen—as necessary for the government of a family as for the government of a commercial establishment. The greater the intellectual talents of the individual, the more necessary are habits of business to keep him steady in his course. The more canvass he spreads, the more ballast he requires. If we examine the history of those illustrious characters who have risen to eminence as the masters, the legislators, or the instructors of mankind, we shall find they have been as much distinguished by their habits of business as by the superiority of their intellect. While, on the other hand, we could easily point out, in every science and in every path of life, some young men who, though of towering genius, have become lost to themselves, and have disappointed the hopes of all their friends, through a want of habits of business. They have burst upon the world with more than noon-tide splendour, they have attracted universal notice, they have excited big expectations, and suddenly they have darted into an oblique course, and passed into oblivion."*

If a clerk be intended to be trained for a manager, it may be questioned whether he will be improved by remaining a long time as a clerk. The two offices are very distinct, and they call into operation distinct qualities and operations of mind. A very old banker's clerk (unless he has been a chief clerk) is generally, from the very length of his service, disqualified for being a manager. Seven to ten years' experience as a clerk is quite long enough, and after that period the sooner he becomes a manager the better, provided he has the necessary qualifications. Even during that time he should have been occasionally employed in those operations that require the exercise of his faculties as a man of business. It has often been

* Lectures on Ancient Commerce, by J. W. Gilbart, p. 94.

said, that good servants make bad masters. If this be true, it is probably the result of an intellectual more than a moral deficiency. A lengthened service causes the mental faculties to move in a routine from which they cannot be suddenly aroused into an attitude of independence, so as to be able to trace causes and effects, to balance opposing considerations, and to engage in those reasoning processes which are required by the exercise of authority. Hence it is, that before a clerk is appointed a manager, he should undergo some kind of training. The best training for being a manager is that of being chief clerk, or of holding an equivalent post next to the manager. It will necessarily follow that the holder of such a post will have occasionally to take the place of the manager, and the manner in which he may then act will be a fair criterion by which to judge of his qualifications for that, or a similar situation.

Among the means of training clerks for superior offices, we should give a high rank to the formation of a library of banking books, to which the whole of the establishment should at all times have access. The remarks we made in a letter, addressed to the manager of a country bank, in the year 1846, and which was afterwards published in the sixth volume of the *Bankers' Magazine*, are, we think, not inapplicable to this subject :—

"I wish you would advise your directors to celebrate their success by sending to each of their branches monthly, a copy of the *Bankers' Magazine*. It would be sent direct from London, the last day of the month, I believe, free of expense; and as the number of next month will commence a new volume, they could not begin at a better time. I am sure this would be a profitable investment of some portion of your surplus funds, and would yield an ample return in the results arising from the increased knowledge

and skill of your managers. Here they will learn points of *law* and of *practice,* with which they were previously unacquainted, and be better prepared to deal with such cases when they occur in their own experience. It seems peculiarly necessary that managers of branches, who have not the opportunity of immediately consulting with any of the directors, should be supplied by the bank with the means of obtaining this kind of information. Losses are sometimes incurred by joint-stock banks through the want of knowledge of a little banking law on the part of their principal officers. The managers would not be the only gainers. The other officers of the branches would have the opportunity of self-improvement; and thus routine clerks might become intelligent bankers, and you would train in your own establishment a constant supply of able men to take the places, when necessary, of the existing managers. It is one of the excellences of our system, that the junior clerks may look forward to being placed at the head of the establishment; but this can only take place in those instances wherein the clerks endeavour to acquire that professional and general knowledge which is necessary in the present day, in order to discharge the duties and maintain the position of a manager. Unless they do this, those who are now clerks will remain clerks as long as they live, and the next generation of managers will be taken from the more instructed classes of society."

The manager of a joint-stock bank in the midland counties, on whom we called last summer, informed us that his directors had recently voted 100*l.* towards the formation of a bank library. To the directors of other banks we would say, "Go and do likewise."

In training clerks for intellectual offices, it is advisable not to give them too many instructions with regard to

minute details. They should be taught to think for themselves. A man's talents are never brought out until he is thrown, to some extent, upon his own resources. If, in every difficulty, he has only to run to his principal, and then implicitly obey the directions he may receive, he will never acquire that aptitude of perception, and that promptness of decision, and that firmness of purpose, which are essentially necessary to those who hold important and responsible offices. Young men who are backward in this respect should be entrusted at first with some inferior matters, with permission to act according to their discretion. If they act rightly, they should be commended; if otherwise, they should not be censured, but instructed. A fear of incurring censure—a dread of responsibility—has a very depressing effect upon the exercise of the mental faculties. A certain degree of independent feeling is essential to the full development of the intellectual character. It should be the object of a banker to encourage this feeling in his superior officers. Those bankers who extend their commands to the minutest details of the office, exacting the most rigid obedience in matters the most trivial, harshly censuring their clerks when they do wrong, and never commending them when they do right, may themselves be very clever men, but they do not go the way to get clever assistants. At the same time, they exhaust their own physical and mental powers by attending to matters which could be managed equally well by men of inferior talent.

After a clerk has become a manager, his education has yet to be completed. Lord Bacon observes, that reading makes a wise man; writing, an exact man; and conversation, a ready man. Whatever knowledge he may have acquired by reading or otherwise—however exact he may have been in the discipline of the office—the young

manager has yet to become a ready man. He has to apply his knowledge promptly and independently, and, at the same time, wisely. This habit he will acquire by time. The exercise of authority over other men produces an independence of mind which is friendly to the maturing of the understanding; while the necessity for giving immediate decisions in conversation with his customers will have a tendency to produce promptness of judgment. There is no profession in which experience is more useful than in banking. But it is useful, not so much in the amount of knowledge that is acquired, (though that is important,) as in the improvement it imparts to those intellectual faculties which are called into exercise. It is by constant practice that these faculties gather strength. Habits are formed by repeated acts, and they can be formed in no other way.

Before closing this section on the administration of the office, we may observe that although the duties of a chief clerk are quite distinct from those of a banker, yet in small establishments they are often performed by the same person. In branch banks, generally, the manager is both the banker and the chief clerk. But as the branch increases, the manager will gradually transfer to the second officer the duties of the chief clerk, and confine his own attention to those of a banker. It is too much the practice in England to view a bank manager as holding the same relative position in a joint-stock bank which a chief clerk does in a private bank. This is an error. A manager is not a banker's clerk—he is a banker. And although he may reserve some important cases for the consideration of his directors, yet they are usually such cases as a private banker would reserve for consultation with his partners, or on which, had he no partners, he would take time to form his own determination.

It may also be observed, that although the government of the office will generally be left entirely to the chief clerk, and it is not necessary that the banker should be made acquainted with all the trivial delinquencies of the clerks, yet there are certain acts of misconduct that must always be reported, and when reported must be dealt with by the banker himself. In a well-disciplined establishment these cases will be rare, but they will occur sometimes, and then the mode of reproof or punishment will be regulated by the kind of offence and the character of the party. Every act of dishonesty, however trifling the amount purloined, must be followed by instant dismissal. Acts of deliberate disobedience to orders, gross disrespect to superior officers, or acts of immorality that would bring discredit on the bank, will generally be visited with the same punishment. But extreme punishment should be inflicted only in extreme cases. Mere accidental errors, though they may sometimes occasion great loss, must not be treated in the same way as those faults which arise from gross neglect, or which imply a deficiency in personal honour. It is generally a good rule, that a banker should not reprove a clerk in the presence of the other clerks. By following this rule, he can adapt his reproofs to the character and position of the party. For a valuable clerk, even when really culpable, is not to be treated in precisely the same way as another whose services are of less importance. Nor is it any violation of justice, that those faults which arise from inadvertence should be viewed differently from those that arise from bad habits. Nor will it tend to impair the discipline of the office should it be known that a good character will sometimes get a young man out of a scrape, while he who had not that good character would be punished more severely for a less important offence. Another rule to be

observed in administering reproof is,—in reminding a clerk of his defects, to commence with telling him of his *good* qualities. There is a credit as well as a debit side in every man's character; and it seems hardly fair to run over all the debit items, and say nothing of the other side of the account. This plan, too, increases, instead of diminishing the pungency of the reproof, while it removes from the mind of the party any impression that the banker is influenced by motives of personal dislike.

SECTION XII.

BANKING BOOK-KEEPING.

"ALTHOUGH the business of keeping books is extremely easy when once the accounts are properly arranged, yet the adaptation of the principle of double-entry to extensive and complicated transactions, so as to receive the full benefit of the system, is a process which requires the most complete knowledge, not only of the *practice*, but also of the *science*, of book-keeping."

"Book-keeping, like all other arts, can only be mastered by industry, perseverance, and attention. The learner must think for himself, and endeavour to understand the *why* and *wherefore* of all that he does, instead of resting satisfied with vague notions and words devoid of sense."

"The study of book-keeping affords an excellent means of intellectual discipline; that is, when its principles are exhibited as well as their application. When the reasoning powers are called into exercise as well as the memory, the student who has carefully attended to the instructions, and who is the *master* and not the *slave* of rules, will experience no difficulty in unravelling or adjusting any set of accounts, however complicated or diversified."*

* Double-Entry Elucidated, by B. F. Foster.

We have commenced this section with these quotations in order to quicken the attention of the reader to a subject which by those who do not understand it is considered complicated, and by those who do understand it is considered dull. It is, in fact, neither the one nor the other. But still it is a subject on which it is difficult to write in such a way as to avoid the possibility of being misunderstood. We purpose in this section—

I. To notice those Preliminary Operations with which a young Book-keeper should become acquainted.

II. To describe the system of Banking-booking as published in the former edition of this work.

III. To state those Improvements of which this system has been found to be susceptible.

IV. To trace the Resemblance between Banking Book-keeping and Mercantile Book-keeping.

I. Preliminary Operations.

When a young man enters a bank as a clerk, he should be instructed to be careful with regard to his hand-writing, or, in his anxiety to write fast, he may forget to write well. If he write a bad hand, he should not be above taking a few lessons from a professor of penmanship, who will teach him to write fast and well at the same time. But, however badly he may write, he should try to write plain. Plainness is of more consequence than neatness or elegance. He should be very careful in writing the names of the customers of the bank. If he write them illegibly, there will be a loss of time in making them out, or they may be misunderstood, so that money may be posted to the wrong account, and thereby loss arise to the bank. On this account also, when two or more customers have the same surname, he should be very careful to write the christian names fully and distinctly.

The necessity for writing quickly, and the want of carefulness at first, are the causes why so few bankers' clerks comparatively write a good hand. But they should remember, that this is a most important qualification, and a deficiency in this respect may be an insuperable bar to promotion. Without this attainment a clerk cannot be put to write up the customers' books, nor to make out the country accounts, nor to write the letters, nor to fill the office of secretary. "You ought to be careful to write a plain hand. You impose upon your correspondents a very unnecessary and a very unpleasant tax if you require them to go over your letters two or three times in order to decipher your writing. A business hand is equally opposed to a very fine hand. A letter written in fine elegant writing, adorned with a variety of flourishes, will give your correspondent no very high opinion of you as a man of business."*

The plan of writing-masters who advertise to teach good and expeditious writing in a few lessons is as follows:— The pupil rests his hand upon the paper without touching it with his little finger. All the motion is then made from the wrist. Those who have to write their names many times in succession, such as in signing bank notes or in accepting bills, will find that on this plan they can get through their work in much less time than if they bend their fingers with every stroke of the pen.

The young clerk should also be taught to make his figures clear and plain, so that a 2 cannot be mistaken for a 3, nor a 3 for a 5. He should also take care that the tail of his 7 or his 9 does not run into the line below, and thus turn a 0 into a 6, and also that the top of his 4 does not reach so high as to turn a 0 in the line above it into a 9.

* Lectures on the History and Principles of Ancient Commerce, by J. W. Gilbart, p. 239.

He should be careful, too, in putting his figures under one another, so that the units shall be under the units, the tens under the tens, the hundreds under the hundreds, and the thousands under the thousands. Otherwise, when he adds up the columns together he will be in danger of making a "wrong cast."

He will also learn to use both hands at the same time. In counting gold or silver coin, he will count with two hands instead of one, and thus do double the work. In *entering* a number of cheques or bills, while he holds the pen in one hand he will hold a cheque in the other, and then turn over the cheques as quickly as he enters them. He will always turn them over one on the back of the other, so that they will be in the same order after he has entered them as before, and when they are "called over" they will come in the same order in which they are entered.

He must also learn to "cast" quickly and accurately. The two main qualifications in this operation are accuracy and quickness. To ensure accuracy a clerk will *cast* everything twice over. The first time he will begin at the bottom of the column, and the second time at the top. If he begin both times at the bottom of the column, the association of figures will be the same; and if he has fallen into an error the first time, he will be apt to fall into the same error the second time. But if he changes the order, the association of the figures will be different, and he will not be likely to fall into the same error. Quickness can be acquired only by practice. But he will accelerate his speed by making his figures plain, and placing them strictly in a line under one another. He should also learn to cast without speaking, for the eye and the head will go faster than the lips.

He must also be taught to "call over." When he first

comes into the bank he will call this sum, 315*l.* 10*s.* 6*d.*, three *hundred and* fifteen *pounds* ten *shillings and* six *pence,* but he will soon learn that more than half these words may be suppressed, and he will say, three, fifteen, ten, six. And so in the larger amount, 4,785*l.* 13*s.* 4*d.*, instead of saying, four *thousand* seven *hundred and* eighty-five *pounds* seventeen *shillings and* four *pence,* he will call, forty-seven, eighty-five, thirteen, four. By proceeding in this way, and speaking quickly and yet distinctly, a column of figures may be called over and checked in a very short space of time. He will, however, take care to avoid ambiguity. Thus, if the sum be 40*l.* 5*s.* 6*d.*, he will not say forty, five, six, as that would mean forty-five pounds six shillings; but he will say, in this case, forty *pounds,* five, and six. In cases where the pounds consist of five figures, the two first denoting the thousands are expressed separately; thus 25,347*l.* 8*s.* 6*d.* is called over twenty-five, three, forty-seven, eight, six; and six figures, say 468,379*l.* 8*s.* 6*d.*, is called over, four sixty-eight, three seventy-nine, eight, six.

He will also be taught to *balance;* that is, to find the difference between two sums by *addition,* instead of subtraction. Thus, if the two sums be 1,347*l.* 16*s.* 3*d.* and 4,834*l.* 19*s.* 8*d.* he will be apt at first to put one under the other and subtract, in this way—

	£4,834	19	8
	1,347	16	3
Difference.....	£3,487	3	5

But he must be taught to proceed by a mental process, and will add the difference to the smaller number, thus—

	£1,347	16	3	—	£4,834	19	8
Difference.....	3,487	3	5				
	£4,834	19	8				

He performs this operation by beginning with the pence, saying, or rather *thinking*, "three and five make eight," and so on. And thus the two sides of an account are made to balance; that is, both sides are of the same amount.

The principle of balancing pervades the whole system of book-keeping. For example, we know that if to the amount of cash in the bank last night we add the amount received to-day, and deduct the amount paid to-day, the remainder will show the amount on hand to-night; and a novice would very naturally put it down in this form—

	£
Cash on hand last night	100,000
Received to-day	60,000
	160,000
Paid to-day	80,000
Cash on hand to-night	£80,000

But an accountant would arrange these four items in such a way as to form a balance, thus—

	£		£
Cash paid away to-day ...	80,000	Cash on hand last night..	100,000
Cash on hand to-night ...	80,000	Cash received to-day.....	60,000
	£160,000	Balance	£160,000

In keeping the Progressive Ledger, the principle of balancing is of constant occurrence. The ledger-keeper brings out a new balance every time he turns to an account. But he never deducts—always adds. And if he post several articles at the same time, the method is the same, thus—

If the credit balance is				£1214 3 7
And he posts the following sums to the *debit* of the account.....	£141	2	4	
	8	7	6	
	49	3	11	
	305	4	2	
				£710 5 8

he will add up these items, and mentally add a sum that will make the whole equal to 1,214*l.* 3*s.* 7*d.*, bringing out this sum as a new balance, and placing it under the former one as he goes on. Thus he will say, or rather think,—"4 and 6 are 10, and 11 are 21, and 2 are 23, and (here he must supply the figure) 8 are 31 = 7 and carry 2;" and he puts down the 8 in the pence division of the balance column; and goes on in the same way to the shillings, and afterwards to the pounds. When he has placed this sum, 710*l.* 5*s.* 8*d.* he adds up the whole, including this sum, in order to check the operation, and to be sure that he is right.

He will then acquire a knowledge of the names and functions of the different books, and of the terms and phraseology used in book-keeping. The same book is sometimes called by different names in different banks, and different terms are employed to describe the same operations. But every clerk should use the language of the office in which he is placed. He should call every book by its proper name, and employ the phrases which are used by others. For instance, if the word "money" is used to denote coin, he must always use it in that sense; and not say "money" when he means bank-notes.

It will be of great advantage to a sensible youngster, if one of the senior clerks should take the trouble to give him a general notion of the system of book-keeping, and show him the connexion that exists between the books that he keeps and the other books of the office.

II. We shall now describe the system of Banking Book-keeping, as published in the former editions of this work.

Every person, on opening an account with a London banking-house, enters his name in a book called the Signature-Book, and this book is referred to whenever a

draft is presented having a doubtful signature. The person is supplied free of cost with a book of printed drafts and a cash-book, called in some houses a Pass-Book, in which is entered an account of his debts and credits, as often as he thinks proper to leave it for that purpose.

London bankers do not usually give receipts for money paid into their hands, but they enter the amount into the customer's book. A person paying money on account of a country bank, will sometimes require a receipt, and he is then given what is called a shop-receipt, in the following form:—

London, May 1, 1827.

Received of [*the country bank*] *the sum of one thousand pounds.*

To account for on demand.

For Hope, Rich, and Co.

£1000. *A Cashier.*

The name of the party paying the money is not inserted in the receipt, as that would require a stamp.

The payment of a draft, or a bill, is always made either in Bank of England notes, or sovereigns, as the party receiving it may desire. The London bankers never re-issue any country notes or bills of exchange, that may come into their hands. When a cheque is paid it is cancelled by drawing the pen four times in different directions, across the name of the drawer. In Scotland a paid note or cheque is said to be "*retired.*" It is retired or withdrawn from circulation.

Before explaining the banking system of book-keeping, I will define a few terms which are often used in connexion with the subject. By the word *bill*, is always meant a bill of exchange not yet due. The word *cash*, denotes the

various items included in a credit or cash entry, and may denote *due* bills, cheques, bank notes, country notes, or coin. The terms *cheque* and *draft* are used synonymously, and denote an order on a banker, payable on demand. The word draft is never used in London to denote a bill of exchange, though this use of the term is very common in the country. Both bills and drafts are often called *articles*, and if they are cash, they are styled *cash articles*. An *addressed bill* is a bill made payable at a banking-house. A discounted bill is usually called a *discount*. By *money* is always meant coin. To *post* an article is to *place* or *enter* it in the ledger. One book is said to *mark against* another when the same entry is made in both books. One book is *checked by* another, when any error in one book would be detected by some operation in another. To *check* a book, or an account, is to examine it, and prove it correct, or make it so. To *cast*, or *cast up*, means to add together. The *balance* of an account is the difference between the credit and the debit side. An account is said to *balance* when the credit and the debit side are of the same amount. To *balance* an account is to enter the balance, and to add up both sides, and then to bring down the balance as a new amount. The *credit* side of an account, or that on which the cash received is placed to the credit of a customer, is the right-hand side as you face the ledger; the *debit* side is the left-hand side. In London, the establishments of bankers are usually called *banking-houses*, not banks. A person who has an account at a banking-house, is said to *keep a banker*.

I shall now describe the various books in the order of the different departments to which they belong.

I.—*The Cash Department.*

The principal books in this department are the following:—

1. Two Waste-Books.—One is called the Received-Waste-Book, and the other the Paid-Waste-Book. In the former is entered an account of all the cash *received*, and in the latter is entered an account of all the cheques and bills *paid*. The Received-Waste-Book is ruled with a double cash column on the right-hand side of the page. In making an entry into this book you will proceed as follows:—First, enter the name of the party who lodges the money; then enter in the first cash column the particulars of which the credit consists, specifying each particular in the space at the left-hand. In receiving Bank of England notes, the number and date of each note must be mentioned; but if the notes are numerous, make them up in a parcel, and write on the outside the total amount, and the name of the party of whom they were received. Call this parcel "Sundries" in your entry. These parcels of sundries will be marked, and sent to the Bank of England for other notes on the following day. Cheques on your own bank are to be entered by the name of the drawer and the amount. Country notes are to be entered by the name of the London banker at whose house they are made payable. These are distinguished from cheques upon bankers, by stating short the number and denomination of the notes—thus, $\frac{1}{10}$ $\frac{2}{5}$. All gold and silver are to be called money. After entering all the particulars of a credit, add them together, and carry out the amount into the farther cash column. At the close of the day add up this outer column, and see that the total agrees with the amount in the Day-Book.

If a customer brings his book with him when he lodges cash, the cashier enters the credit, and returns the book to him, unless it be left at the bank for the purpose of having the debit side also written up.

In receiving money for a deposit receipt, the entry is made in the same way as when the money is placed to a current account; but the words Deposit Receipt, or the letters D. R. are written against the name of the depositor.

In the Paid-Waste-Book is entered an account of all the bills and cheques paid by the bank. This book is ruled on each page with a cash column on the right hand, and another on the left hand, leaving a space between. When a cheque is paid, the amount is placed in the left-hand cash column—then the name of the drawer in the open space—and in the right-hand cash column are entered the particulars of the payment. Bank of England notes are entered by their number. It is not necessary to enter the date, as that can be found if necessary either in the Cash-Book of the preceding evening, or in the Received-Waste-Book, or the Lists of the same day. When a deposit receipt is paid, the same order is observed, but the letters D. R. are added. All gold, silver, and copper, are called money. At the close of the day, all the payments are added together, and should agree with the amount in the Day-Book.

Each cashier has a Received-Waste-Book, a Paid-Waste-Book, and a Money-Book.

2. MONEY-BOOK.—This is a small book ruled with a cash column on the right-hand side of each page, and it contains an account of all the *coin*, that is, the gold, silver, and copper in the bank. Each cashier will enter in his own Money-Book the money he receives and pays in the course of the day. On the left-hand page of the book he will

copy from his Paid-Waste-Book the various sums of money he has paid, and on the right-hand page he will copy from his Received-Waste-Book the various sums of money he has received. In each case he will enter against the respective sums the totals in which they are included. Thus, if in paying a cheque of 175*l.* 2*s.* 6*d.* he pay 5 - 2 - 6 money, he will enter it thus—"£175 2. 6. £5 - 2 - 6." The money is counted up at night, and must agree with the balance of the Money-Book; and this balance is then entered in the Cash-Book.

3. CASH-BOOK.—In this book is entered every night a specification of all the cash in the bank. The items will consist chiefly of Bank of England notes, parcels of sundries, country notes, cheques on other banks, and the balance of the money. The Bank of England notes are entered by their number, date, and amount. The parcels of Bank of England notes, called sundries, are entered by the word "Sundries," then the name of the parties of whom they were received, and the amounts; country notes by the name of the country bank, and the London agent at whose house they are made payable; cheques on other banks by the name of the drawer of the cheque—the name of the banker, and the amount. In this book generally the cash articles are more fully described than in the Received-Waste-Book. In some banking-houses the Cash-Book is called the STOCK-BOOK, and in others the MAKE-UP-BOOK.

4. DAY-BOOK.—This book is ruled with a double cash column at the right-hand side of each page. The accountant enters in the Day-Book an account of all cash paid and received during the day, placing each transaction under the class of operations or accounts to which it belongs. On the left-hand page of the book he enters the cash which is paid, and on the right-hand side, the

cash which is received. He commences by writing the day of the week, and of the month: then on the left-hand side he writes a heading, "CURRENT ACCOUNTS." Under this head he enters all the cheques paid, copying from the cheques the name of the drawer, and the amount, which is placed in the first cash column. The sum of all the cheques is brought forward into the second cash column. The second heading is "DEPOSIT RECEIPTS;" under which head the individual receipts paid are entered, mentioning the number, the name of the depositor, and the sum; and bringing out the total amount, as before, into the second cash column.

The accountant may, if he please, make these headings in the morning, leaving such a space for the transactions under each head, as his experience may show him to be necessary. Thus, he may keep up his Day-Book throughout the day, and merely have to add it up and balance it when the bank closes. The other headings may be, "Bills Discounted this day," "Interest paid on Deposit Receipts," "Bank Premises," "Incidental Expenses," "Branch Accounts," &c. &c. answering to the accounts in the General-Ledger.

On the right-hand page, or credit side of the Day-Book, the cash received is entered under corresponding headings, as "CURRENT ACCOUNTS," "DEPOSIT RECEIPTS," "BILLS DISCOUNTED PAID THIS DAY," &c. &c. The entries under the heads of Current Accounts, and Deposit Receipts, are copied from the Received-Waste-Books: the entry expresses only the name and the amount.

After all the entries have been made, add up the debit and the credit sides. To the credit side, add the amount of the Cash-Book on the preceding evening; to the debit side, add the amount of the Cash-Book on the same evening; and, if the totals agree, the "bank is right," that is,

the transactions of the day have been correctly entered; but if not, then the bank is wrong, and the error must be discovered by "marking off" the various books.

In large establishments the Day-Book is divided into two books; the debit side forming one book, and the credit side the other book. One is called the "Paid-Day-Book," and the other, the "Received-Day-Book." The advantage of this division is, that two persons can be employed at the Day-Book at the same time. In some banks the Day-Book has three cash columns, the third being used for transfer entries. These are entries in which no cash is actually paid or received by the bank; but an amount is transferred from one account to another. In other banks, all the tranfers are passed through the Received-Waste-Book. By some London houses the Day-Book is called the Cash-Book, and its two divisions are called the "RECEIVED-CASH-BOOK" and the "PAID-CASH-BOOK."

5. CURRENT-ACCOUNT-LEDGER.—In this book every customer has a separate account. The sums received to his credit are posted from the credit side of the Day-Book, and the Ledger folio is placed in the Day-Book, in a column ruled for that purpose. The debit side is posted from the cheques themselves, and the Ledger folio placed in the debit side of the Day-Book on the following morning, when the Day-Book is marked against the Ledger. The entry of a cheque in the Ledger includes the date of payment, the name of the party to whom it is payable, and the amount. The entry of a credit includes the date, the word "Cash," and the amount. When the cash is paid into the bank by a third party, it is usual to enter it in the Ledger as "Cash per A. B." When a credit arises from a bill lodged for collection having become due, the *name of the accepter* is substituted for the word cash.

Some banks follow what is called the *progressive* plan of keeping the Ledger. By this plan the balance is brought out every day, and thus we see the *progress* of the account. In the ordinary way, each page of the Ledger is divided into the debit and the credit side, and each side has ruled columns for the date, the transaction, and the amount. But in the progressive Ledger there is only one column for the date of both the credits and the debits—one space for a description of the transaction, whether credit or debit—and then three cash columns. The first column is the debit column; the second is the credit column; and the third is the column into which the daily balance is brought out. The advantage of this plan is, that you can see at once what sum a party has on his account, without the delay of adding up the debit and the credit columns. Most banks that allow interest on the balance of the current accounts, keep their Ledger on the progressive plan; and, besides the columns I have mentioned, there are, on the right side of the balance column, a space for inserting the number of days the balance may remain stationary, and two interest columns—one for the interest of a credit balance, and the other for the interest of a balance overdrawn. Most banks divide the Current-Account-Ledger into two or more parts, and the names of the depositors are placed in alphabetical order, from the beginning of the first Ledger to the end of the last.

6. DEPOSIT-RECEIPT-BOOK.—Deposit Receipts are receipts granted for sums of money that are likely to remain a considerable time, and upon which interest is allowed. These receipts are distinguished from current accounts. Cheques cannot be drawn against any sum lodged as a deposit receipt; but when the amount, or any part thereof, is withdrawn, the receipt itself must be produced at the bank, and delivered up. The Deposit-Receipt-Book is not

kept *ledger-wise;* that is, each person has not a separate account opened for him in a distinct part of the book, but the receipts are entered chronologically, according to the date of the lodgment. The entry includes date of lodgment, name of depositor, profession, residence, amount, interest paid, principal and interest. The last two particulars are of course not entered until the receipt is cancelled. If a party is desirous of withdrawing only a part of the lodgment, the whole receipt is entered as paid, and a new receipt made out for the sum which remains.

II.—*The Bill Department.*

Bills are divided into two classes—bills deposited, and bills discounted. Bills deposited are bills lodged in the bank for collection, to be placed, when due, to the credit of the depositors. Bills discounted are those for which the money has been advanced, and which are, therefore, the property of the bank. These two classes of bills are entered in separate sets of books; but, as the books are kept in nearly the same manner, I shall describe them together.

1. BILL-REGISTER. } These books are kept, as the
DISCOUNT-REGISTER. } word register seems to imply, chronologically—the bills being entered immediately after each other, in the order in which they come into the bank. The entry includes date when deposited or discounted, name of ingiver, drawer, accepter, date, term, when due, amount, daily amount. The bills are numbered, and the register-number placed upon each bill. The daily amount of the Discount-Register is entered in the debit side of the Day-Book, under the head, "Bills Discounted this day." I advise that the headings of the columns of this, and of all the other books, be printed. This saves time and prevents mistakes.

2. BILL-LEDGER. } In these books a separate ac-
DISCOUNT-LEDGER. } count is opened for each party; and the same bills which have previously been entered in the Registers are entered in these Ledgers; but the entry is much shorter. A full description of a bill is given in the Register only, and the register-number is placed as a reference in every book in which the bill may subsequently be entered. The entry in the Bill, or Discount-Ledger, includes date when deposited or discounted, name of accepter, when due, and amount. In some banks the Discount-Ledger is kept upon the progressive plan, which is very useful, as it shows at once to what amount any party may be under discount. In addition to this, some banks place in the Discount-Ledger an account of all bills they may have discounted, to which the party is an accepter. These bills are distinguished from those which have been discounted for the party himself, by being placed on the left-hand side of the page. This account is also kept on the progressive plan. A Discount-Ledger, kept in this way, will have three cash columns ruled on each side of the page: the three on the left-hand will be headed, "Where Accepter;" and the three on the right-hand will be headed, "Where last Indorser." Between the two sets of columns will be entered—date when discounted—register-number—name of accepter or drawer—when due. The advantage of this plan is, that on turning to any party's account, you see at once the whole of his engagements to the bank, whether arising from bills that have been discounted for himself, or bills to which he is only the accepter.

3. BILL-JOURNAL. } In these journals the bills are
DISCOUNT-JOURNAL. } entered under the respective days on which they fall due. For this purpose the day of the week, and of the month, is placed at the top of each

page. This book may be made to last exactly a year, by having headings for every day, from the 1st January to the 31st December, omitting Sundays. The entry includes the register-number, name of depositor, or for whom it was discounted, accepter, and amount. The Discount-Journal has three cash columns; one for the amount of each bill, another for the bills paid, and another for those unpaid. The entry is made in the first column, on the day the bill is discounted; and in the other two on the day the bills fall due. The total amount of bills paid each day is copied from the Journal into the received side of the Day-Book. Those unpaid are entered into the transfer column of the Day-Book, and in the Past-Due-Bill-Book. The Bill-Journal need only have one cash column, as most banks find it more convenient to credit their customers' accounts with all the bills on the day they fall due, and debit them on the following day for those that remain unpaid. Those banks, however, that prefer it, may have separate columns in the Bill-Journal, for the paid and the unpaid bills; and, in that case, the unpaid bills are returned on the following day to the depositor, without being passed through his cash account. This is sometimes called, being "entered short." Some banks make one book serve the purpose of both a Bill-Journal and a Discount-Journal; one page of the book being used as a Discount-Journal, and the opposite page being used as a Bill-Journal.

4. THE LISTS.—Each banking-house divides London into a certain number of districts, according to the extent of its business. Each district is called a Walk, and usually takes its name from the direction in which it lies; as the East Walk, the West Walk, and so on. To each walk is assigned a book, in which is entered every day a *list* of the bills due in the walk; and hence the book is called a

List. Each List takes its name from the walk to which it belongs; as the East List, the West List, &c. The page is divided into four columns; the first and third of which are cash columns. In the first column is entered the amount of the bill; in the second, the name of the accepter and the register-number. This is done the day before the bills are due. After the teller has returned from presenting these bills for payment in his walk, he "answers" each bill; that is, he places against it an account of the cash he has received for it, whether cheques, bank notes, or money. The amount is entered in the third column; and, in the fourth, the description of each kind of cash. If the bill be not paid, he writes L. D. for "left direction," and then enters the bill in the "Unpaid List."

In the UNPAID-LIST are entered all the bills not paid when presented for payment. In the course of that day or the following these bills are "answered," either by being paid, or by being passed to the debit of a customer's account, or by being transferred to the Past-Due-Bill-Book. In some banks the Unpaid-List is called the "TAKE-UP-BOOK."

Cheques upon other banks are entered in the Lists in the same way as bills, unless the bank sends a clerk to the Clearing-house, and then they are entered in the "Clearing-out-Book."

From this description it will be seen that when a sum is received to the credit of a current account, it is entered in the Received-Waste-Book, copied from thence into the Day-Book, and from thence into the Current-Account-Ledger. When a cheque is paid to the debit of a current account it is entered from the cheque itself into the Paid-Waste-Book, the Day-Book, and the Current-Account-Ledger.

When a sum is received for a deposit receipt, the sum

is entered before the receipt is granted in the Deposit-Receipt-Book, and afterwards in the Receipt-Waste-Book and Day-Book. When a deposit receipt is paid, it must be discharged in the Deposit-Receipt-Book, then entered in the Paid-Waste-Book, and afterwards in the Day-Book.

When a bill is discounted, the discount is calculated by the accountant, who at the same time observes if it is drawn on a proper stamp, and is in every respect a regular and negotiable instrument. If the party for whom it is discounted have a current account, the full amount of the bill is placed to his credit, and he is debited for the interest. If he have no account he is paid the amount minus the discount, and the entry is made in the Paid-Waste-Book. The bills discounted each day are entered individually in the Discount-Register, and the total amount copied into the Day-Book. The bills are also entered individually in the respective accounts in the Discount-Ledger, and under the days they fall due in the Discount-Journal. When these bills are due, the amount paid each day is entered in the Day-Book in the cash column, and the amount unpaid is transferred to the Past-Due-Bill account, and is entered in the Day-Book in the transfer column.

When a bill is deposited, it is entered in the Bill-Register, the Bill-Ledger, and the Journal. When due it is placed to the credit of the party by whom it was lodged, and is copied from the Journal into the Day-Book, thence into the Current-Account-Ledger. If unpaid, the account is debited on the following day, and the bill is returned to the depositor.

At the commencement of each day, all the entries made the preceding day in the Day-Book, are marked against the respective books by the accountant, or under his superintendence. He also marks the Cash-Book, and checks the adding up. The Customers' Books are then

compared with the Current-Account-Ledger. The debit side of these books is usually written up the preceding evening from the vouchers by the tellers, or out-door clerks. The accountant writes up the credit side, and sees that both sides agree with the Current-Account-Ledger.

III.—*The Country Department.*

In this department is managed the business of the country banks, and of those customers who live in the country. When the letters are delivered in the morning by the postman, one clerk takes them and enters in the Waste-Book the *cash* enclosed in the letter to the credit of the respective parties. Another clerk takes the letters and enters the *bills* in the Country-Bill-Register, the Bill-Ledger, and the Bill-Journal. The letters are then handed to a third clerk, who copies off into a book all the *payments*, which are to be made immediately in cash. This book is usually called the Draft-Book, as the party receiving the money signs a draft for the amount, which is as good as signing a receipt. If the payment is to be made to a banker, he receives notice in a printed form, called a memorandum; but if the payment is ordered to be made to a private individual, he must call for it, and claim the exact amount. The following is the form sent to a banking-house. The right-hand side is filled up by the house to whom it is sent, and the memorandum is paid through the clearing.

London, December 1, 1834.

Messrs. Steady & Co.

Receive of [*the country bank*] *per Messrs. Hope, Rich, & Co. the sum of* £100.

On account of [*E. F. Esq.*]

London, December 1, 1834.

Messrs. Hope, Rich & Co.

Pay E. F. Esq. or bearer, the sum of one hundred pounds, on account of [*the country bk.*]

For Messrs. Steady & Co.

£100. *A Clerk.*

A fourth clerk now takes the letters, and enters all the *advices* (that is, bills *advised* to be paid when due) in the Advice-Book and in the Advice-Journal. The corresponding clerk who answers the letters usually manages the stock department. Hence he observes the orders to purchase or sell stock, to procure powers of attorney, and other business of that kind. When writing a reply to the letters received, he notices if all the items in the letters are marked by the proper clerks. If anything is wrong he is informed of it. Bankers' letters are usually short and plain, comprising only two or three lines. The following example includes all the ordinary topics.

Messrs. HOPE, RICH & Co. *Bankers, London.*

Country Town, May 1, 1827.

GENTLEMEN,—Enclosed we remit you sixteen bills, value 1,750*l.* and cash 250*l.* making together 2,000*l.* to our credit; and we subjoin a list of payments and advices, to be made to our debit. We will thank you to purchase 10,000*l.* new fours, in the name of James Wealthy, gentleman, of Stately House, near Prince Town; and forward us a power of attorney for sale, and dividends of 200*l.* Consols, now standing in the name of Susan Thrifty, spinster, of this place. Please inform us of the respectability of Messrs. John Careful & Co. of Southwark—they bank at Messrs. Steady & Co. Lombard-street. The bill you sent us to present here for payment has been paid, and we credit you 50*l.* the amount. We herewith send you the signature of our relative, Mr. John Keen, who is going to London, and whose drafts to the extent of 3,000*l.* we wish you to honour to our debit. On Mr. Keen's return, which will be in about a week or ten days, he will bring with him our paid notes.

We are, Gentlemen,
Your obedient Servants,
KEEN, BUSY & Co.

[REPLY.]

Messrs. KEEN, BUSY & Co. *Bankers, Country Town.*

London, May 1, 1827.

GENTLEMEN,—We have received your favour of yesterday's date, enclosing sundries, value 2,000*l.*, which we have passed to your credit, and note your lists of payments and advices. We also credit you 1,476*l.* 16*s.* 6*d.* per Messrs. Good & Co. on account of John Green. We have inquired of Messrs. Steady & Co. as to the respectability of

Messrs. John Careful & Co. and are informed they are highly respectable. We now enclose a stock receipt for Mr. James Wealthy's 10,000*l.* new fours, 10,012*l.* 10*s.* to your debit; and also Susan Thrifty's power of attorney, for which we debit you 1*l.* 1*s.* 6*d.*; also a dishonoured bill on Badluck, noted, 100*l.* 1*s.* 6*d.* to your debit: and your weekly cash account and monthly account current, which we trust will be found correct. We debit you 50*l.* for the bill you had the goodness to present for us; and we now enclose another on White, 120*l.* which we will thank you to get accepted and return. We have opened a credit in favour of Mr. John Keen, for 3,000*l.* and will forward your paid notes by him as requested.

We are, Gentlemen,
Your obedient Servants,
HOPE, RICH & Co.

Those London bankers who act as agents to banks, or to other parties in the country, will have occasion for the following books. The first seven are kept in the same manner as the corresponding books in the Town Department. All the entries in the Country-Ledger, as well as those in the Town-Ledger, must first pass through the Waste and Day-Books. The *credit* side of the Ledger is posted from the Bill-Journal and the Day-Book. The *debit* side is posted from the vouchers themselves, and, like the debit side of the Town-Ledger, will mark against the Paid-Day-Book and the "Clearing-in-Book."

1. A Country-Ledger.
2. Country-Bill-Register.
3. Country-Discount-Register.
4. Country-Bill-Ledger.
5. Country-Discount-Ledger.
6. Country-Bill-Journal.
7. Country-Discount-Journal.

8. Advice-Book.—In this book are entered an account of bills *advised* to be paid on account of the Country Banks. This book is kept ledger-wise, each bank having a separate account.

9. Advice-Journal.—This book is similar to the Bill-

Journal, and it contains the *advices* under the heading of the days on which they are to be paid.

10. Credit-Book.—This book contains an account of the credit granted by a country bank in favour of any party. Each party has an account open for him in this book, and the amount of his credit is placed to this account. He is debited for such cheques as he may draw, and the cheques are then passed to the debit of the country bank in the Country-Ledger.

11. Acceptance-Book.—In this book are entered those bills which have been received from the country, and which require the acceptance of the party on whom they are drawn. The entry includes the date when taken out, the name and residence of the drawee, the register-number, and the amount. There are also two vacant columns, in one of which the clerk who takes the bill for acceptance enters his initials when he brings it back; in the second column are entered the initials of another clerk to whom the bills when "brought in from acceptance" are delivered. Though this book is connected with the country department, it is usually kept in the town office.

12. Stock-Book.—London bankers have usually powers of attorney from their correspondents in the country, authorizing them to receive dividends on the Government funds. All these are entered in a book called the Stock-Book. The book is divided into several parts for the different kinds of stock, as 3 per cent. Consols, 3 per cent. Reduced, &c. &c. In each division are entered the powers of attorney held by the bank. The entry includes date of the powers, names of the attorneys, names of the holders of the stock, and the amount. These entries should be made a tolerable distance apart from each other, to leave room to notice any alteration that may take place in the amount of the stock either by sales or new purchases.

Every country bank keeps an account with a London bank. The country banker receives from London a weekly statement of his cash accounts, and a monthly account current. The cash account is a copy of the London banker's ledger. But as the London banker does not consider as cash any thing which may not be immediately turned into Bank of England notes, the cash account does not exhibit a statement of the *undue* bills which the country banker may have remitted, nor of the bills which he may have advised to be paid. By means of a monthly account current he has a full view of all these transactions. On the credit side of the account current is entered the total amount of each remittance, whether it consists of bills or cash. These are followed by entries of "extra" sums of cash that have been lodged to the credit of the country bank by parties resident in London. On the debit side of the account current is placed the total amount of the "advices;" that is, of bills advised to be paid, and also any "extra" payments of "drafts" to persons in London. Then the account is balanced, and we have an easy check by which any error that may have crept into either the cash account or the account current is detected. For if both accounts be correct, the amount of advices not yet due, added to the balance of the account current, will be equal to the amount of bills not due, added to the balance of the cash account.

IV.—*The Note Department.*

Those banks that issue notes will have occasion for

A NOTE-REGISTER.—In which the denomination, number, and date of the notes, will be entered when prepared for circulation. The total amount of notes, as soon as they are received from the stamp office, or at least as soon as they are signed by the banker or manager, are entered to the credit of "note account," and are afterwards taken

down daily as part of the "cash" in the possession of the bank. If the notes on hand be deducted from the balance of the note account, the remainder will show the amount of notes in circulation. Another way is to open an account for "Notes in Circulation," and to credit this account for the notes on hand every morning, and debit it for the notes on hand every night: the balance will show the amount of notes in circulation. There should also be a book for the "Register of Cancelled Notes," in order to keep an account of those notes which, having become unfit for further use, have been cancelled and destroyed. The notes when cancelled are placed to the debit of the "Note Account."

V.—*The Branch Department.*

In those banks that have branches, the head office keeps an account with each branch, in the same way as a London banker keeps an account with a country bank. There is usually an additional "Bill-Register" for the bills payable at branches. Each branch has also two Bill-Registers, for the bills payable at head-office, and the bills payable at branches, and frequently another for the bills sent for collection to agents, where the branch does not remit all its bills to the head office, but direct to agents in other places in order to be collected. Every country banker has also similar Bill-Registers for "Bills payable in London," "Bills payable at Bristol, Manchester, &c." as the case may be; and of course corresponding accounts must be opened in the General-Ledger.

There must also be a book for entering "Branch Notes paid." These notes may either be placed as the debit of the branch on the day they are paid, or they may be carried daily or weekly to the debit of an account to be called "Branch Note Account," and may be placed to the debit of the branch on the day they are sent home.

VI.—*The General Ledger.*

Into this Ledger, under the various accounts, will be entered the totals of the corresponding headings or accounts specified in the Day-Book. The accounts in this Ledger denote the various classes of operations, and the balances show at all times the exact state of the bank. Every Saturday night the totals and balances of these accounts should be taken off on a balance-sheet. When all the debits are added together, and all the credits are added together, the two sides will agree; that is, they will be of the same amount. These balance-sheets may be printed and bound together in a book, to be called "the General-Balance-Book." I cannot better explain the General-Ledger than by giving the form of the weekly balance-sheet, with the names of those accounts which most banks have occasion to introduce. I have distributed these accounts into five classes:—1. Lodgments. 2. Investments. 3. Expenditure. 4. Cash Account, with Branches; and 5. Proprietors' Accounts. Each bank, however, will open such accounts as are adapted to its transactions. Whatever books the business may render necessary will require to have corresponding accounts. The General-Ledger contains the summaries of all the other books. Thus, the account called "Current-Accounts," contains the summary of the Current-Account Ledger. The account called "Deposit-Receipts," is a summary of the Deposit-Receipt-Book. The account called "Bills discounted," is a summary of the Discount-Register and the Discount-Journal. In this way every book in the office has a corresponding summary in the General-Ledger. Hence, this book is a check upon all the other books; and by means of these summaries, the partners or directors of a bank can see at once the actual state of their affairs, and can trace the progress or decline of different banchess of their business.

THE _____ BANKING COMPANY.

Amounts and Balances of the GENERAL LEDGER *on* _____

Amounts. Dr.	Balances. Dr.	Titles of Accounts.	Ledger Folio.	Balances. Cr.	Amounts. Cr.
		I. LODGMENTS.			
		London Current Accounts.			
		Country ditto.			
		Deposit Receipts.			
		Bills Deposited (in London).			
		Ditto (from the Country).			
		Notes in Circulation.			
		Credits on Agents.			
		II. INVESTMENTS.			
		Bills Discounted (in London).			
		Ditto (from the Country).			
		Past-Due Bills.			
		Government Stock.			
		East India Bonds.			
		Exchequer Bills.			
		Loans to Customers.			
		Ditto to Brokers.			
		Interest Account.			
		III. EXPENDITURE.			
		Bank Premises.			
		Rent.			
		Taxes.			
		Salaries.			
		Stationery.			
		Incidental Expenses.			
		Law Expenses.			
		IV. CASH ACCOUNT, WITH BRANCHES.			
		Branch A.			
		Branch B.			
		Branch C.			
		Branch D.			
		V. PROPRIETORS' ACCOUNTS.			
		Paid-up Capital.			
		Preliminary Expenses.			
		Dividend Account.			
		Unclaimed Dividends.			
		Surplus Fund.			
		Profit and Loss.			
		Fund for Bad Debts.			
		General Account of Cash.			

It will be observed, that the accounts introduced into the preceding balance-sheet are such as would be necessary to a London bank that had country agencies and branches, and issued notes. No such bank exists. But I have introduced all these accounts that each bank may take those which are adapted to its transactions. It will also be observed, that I have kept the country business distinct from the town business; so that the comparative extent of each may be immediately perceived. I have introduced cash columns for the AMOUNTS as well as the BALANCES; for although the balances are sufficient to show the actual state of the bank, yet the amounts are necessary to show the business that has been done since the previous half-yearly balance.

1. The first class of accounts, under the head of LODGMENTS, are all credit accounts; that is, the balance is on the credit side.

CURRENT ACCOUNTS are those which are usually kept by the London bankers, and are called by the Bank of England, "Drawing Accounts." DEPOSIT RECEIPTS are more permanent lodgments, upon which the joint-stock banks allow interest. The account "BILLS DEPOSITED," not being a cash account, might be omitted without deranging the balance of the General-Ledger. If introduced, its balance must be placed on both sides the balance-sheet, or the totals will not agree. The General-Ledger is no check upon the accuracy of this account. It should, therefore, be checked periodically, by taking off the daily amounts current from the Journal, and comparing the total with the balance of "Bills Deposited in the General-Ledger."

Some banks distribute their bills deposited into several accounts, as "Bills Deposited by Agents," "Bills Deposited by Branches," "Bills Deposited by Private Parties," &c. &c. On the debit side of the General-Ledger these

"bills deposited" are mixed with the bills discounted in different accounts, according to the places where the bills are payable, as "London Bills," "Manchester Bills," "Branch Bills," &c. Those deposited bills that are payable in the place where the bank is established, are usually distinguished from the discounted bills; one account being called "Local Bills Discounted," and the other "Local Bills Deposited."

NOTES IN CIRCULATION.—When the notes are made payable at any other place beside the place of issue, this account will only show the "apparent circulation," as the notes that have been paid by the agents, or at the other branches of the bank, cannot be brought into the account until they have been returned for re-issue. I have classed this account under the head of Lodgments, because it denotes a portion of the debt due from the bank to the public.

CREDITS ON AGENTS.—When a bank grants a Bill, or Letter of Credit, upon their agents, the money received is placed to the credit of this account. When the bill is due, or the credit paid, it is placed to the debit of this account, and to the credit of the agent's cash account. The business of some banks requires a subdivision of their credits, as "Credits on London Agents," "Credits on Bristol Agents," &c. Some banks have also an account for "Credits on Branches;" but, where all the credits granted are payable on demand, they are usually placed at once to the credit of the cash account of the branch on which they are drawn.

2. INVESTMENTS.—The accounts belonging to this class are all debit accounts; that is, the balance (if any) is always on the debit side.

In the foregoing balance-sheet it is presumed that all the bills are payable in London, as the London bankers do

not discount bills payable elsewhere. The division into two accounts is merely to show the comparative extent of the town and the country business. The first account includes the bills discounted for parties resident in London, and the second includes the bills discounted for parties resident in the country. Where the bills are payable at different places, they are referred, as I have already intimated, to different accounts, as "London Bills," "Bristol Bills," "Manchester Bills," &c. It is not usual, in these cases, to distinguish between the bills discounted and the bills deposited, but to place them together on the same account; for instance, the account "London Bills" would include all bills payable in London, whether discounted or deposited. If thought proper, however, they may be easily divided into separate accounts, as "London Bills Discounted," and "London Bills Deposited."

PAST-DUE-BILLS.—When a discounted bill is not paid, it is transferred to the debit of this account. "Bills deposited" never pass into this account, but if unpaid, are returned to the parties by whom they were deposited.

When the bank purchases "Government Stock," "Exchequer Bills," "India Bonds," &c. the purchase-money is passed to the debit of an account raised for the purpose. Upon re-sale the account is credited for the money received, and the difference between the money invested and the money received is passed, at the end of the year, to the debit or the credit of profit and loss account.

LOANS.—This account is debited for the amount of any loan granted to a customer, or to any other party, on security. When a customer wants a temporary advance, the usual way, in London banks, is, not to let him overdraw his account, but to place to his credit the sum he may require, and debit the loan account. The interest is

charged upon the full amount of the loan. When the loan is repaid, this account is credited.

3. EXPENDITURE.—The accounts under this head require little explanation. "Bank Premises" is debited for the expense of altering, painting, &c. the buildings and offices connected with the bank. The other accounts are debited for the different classes of expenditure as they occur. At the end of the year these accounts are credited, and the several amounts are placed to the debit of profit and loss account.

4. CASH ACCOUNT WITH BRANCHES.—The title of this class of accounts is sufficiently explanatory. I will only observe, that in some banks each branch keeps a distinct cash account with every other branch, and with the several agents of the bank with whom it may have transactions. But, in other banks, each branch passes all its transactions through its cash account with the head office. It debits the head office for whatever it may remit to either a branch or an agent, and it credits the head office for whatever sums it may receive from a branch or an agent.

5. PROPRIETORS' ACCOUNTS. — This class of accounts refers to the internal operations of the bank.

PAID-UP CAPITAL.—If the capital has been paid up at different times, this account may be divided into "First Instalment," "Second Instalment," "Third Instalment," &c.

PRELIMINARY EXPENSES. — Several joint-stock banks have passed to an account of this sort the expense of forming the company; and these expenses are discharged out of the profits, by equal portions, in the course of five or ten years. This is considered a more equitable mode than to pay these expenses out of the profits of the first two or three years.

SURPLUS FUND. — When the whole of the annual profits are not divided among the partners or proprietors, the surplus is transferred to an account, called "Surplus Fund," where it remains for the purpose of being applied to meet any losses or contingencies that may occur in after years.

PROFIT AND LOSS.—To the credit of this account is placed all interest and commission received; and to the debit is placed all interest paid. These entries are made at the time the transactions occur. At the end of the year this account is credited for all the profits that have been made during the year upon Government Stock, Exchequer Bills, &c., and is debited with the several items of expenditure. The Profit and Loss Account may be subdivided into several accounts, as "Interest Received on Bills Discounted," "Commission Received," "Interest Paid on Deposit Receipts," "Charge for Agency," &c. &c. When it is not thus divided, a complete abstract of the account should be made out at the end of the year.

GENERAL ACCOUNT OF CASH. — The introduction of this account makes the General-Ledger a perfect check upon the other books. For by this means the total of all the balances of the debit side of the General-Ledger are equal to the total of all the balances of the credit side. To the *debit* of this account is passed, every day, the total amount of the *credit* side of the Day-Book; and the account is *credited* for the amount of the *debit* side of the Day-Book; consequently, the balance of this account will be always on the debit side, and will be equal to the difference between the sum of all the other debit balances, and the sum of the credit balances; that is, it will show the amount of cash in the bank. The General-Ledger is

always kept on the progressive plan,* so that the balance of any account can be seen upon inspection; and its progress from any past period can be distinctly and readily traced.

VII.—*Periodical Balances.*

DAILY BALANCE.—It is well known that bankers try their balance at the close of their business every night, with a view of correcting any errors that may have occurred during the day. The process is very easy. If to the amount of the Cash-Book last night, we add the amount of the cash received to-day, and deduct the amount of the cash we have paid, the remainder will be the amount of the Cash-Book to-night. If, on trial, we find this is not the case, there must be some error. Suppose, for instance, the Cash-Book last night amounted to 100,000*l.*, and we have received 40,000*l.* and paid 50,000*l.* to-day, then will the Cash-Book to-night amount to 90,000*l.* The trial stands thus:—

Cash-Book last night	£100,000	Paid-Day Book	£50,000
Received-Day-Book	40,000	Cash-Book to-night	90,000
	£140,000		£140,000

The daily balance, therefore, is nothing more than the balance of the Day-Book; and the only books employed are the Day-Book and the Cash-Book. But as these books, when finally closed, include the amount of several other books, the trial is usually made (for the purpose of avoiding alterations) on a half-sheet of paper, called the trial paper, previous to those entries being made, and then the amounts of these several books are stated separately, in the following manner:—

* See page 290.

Dr. BANKING HOUSE. *Cr.*

Amount of Cash-Book last night	Amount of Paid-Day-Book
[This is usually called the Rest.]	Do. of Clearing-in-Book*
Do. of Received-Day-Book	Do. of Balance* of the Clearing .....
Do. of Bill-Journal	Do. of Cash-Book to-night
Do. of Discount-Journal	Do. of Balance of Money-Book .....
	Do. of Discount-Register

The balance of the clearing† is always to the credit of the house; for, if the clearing "takes out," then the bank notes paid away at the Clearing-house are entered in continuation of the clearing-out; so that, in this case, the balance is usually thrown a small sum on the other side. When the clearing is finally closed, the notes forming this balance are entered in continuation of the clearing-in, and subsequently in the Cash-Book. The notes entered in the clearing-out are, of course, not entered in the Cash-Book.

WEEKLY BALANCES. — The daily balance checks the Waste-Books, the Discount-Register, the Journals, the Day-Books, the Lists, and the Money-Books. If any errors occur in any of these books throughout the day the balance will be wrong. But the daily balance does not check the Current-Account-Ledger, though this is the most important book of all. The Ledger is therefore "marked off" every morning against the Day-Book, the Bill-Journal, and the Clearing-in-Book: but this is not a sufficient check. Hence the balances of all the accounts in the Current-Account-Ledger should be taken off weekly in a book called the Current-Account-Balance-Book, and added together, and the amount made to agree with the

* When a bank does not "clear" these items are of course omitted.

† For an account of the books in the clearing department, see the section on London Bankers.

balance of "current accounts" in the General-Ledger. This is usually done by the London bankers quarterly or half-yearly. When the Ledger is kept on the progressive plan, it may be done weekly without much trouble. The "Current-Account-Balance-Book" should be ruled so that the names of the parties having accounts may be placed under one another at the left-hand, and all the rest of the left-hand page, and the whole of the right-hand page, divided into double cash columns: one column for the balances of the accounts when in cash, and the other for the balances overdrawn. On this plan it will not be necessary to write the names more than once in seven weeks.

In the same way the balances of the Discount-Ledger should be taken off weekly in the "Discount-Balance-Book." The balances of the General-Ledger are also taken off weekly in the "General-Balance-Book" in the way I have already described.

HALF-YEARLY BALANCE.—The weekly balancing of the Ledger does not preclude the necessity for a half-yearly balance. The usual days for balancing are the last days of June and December. Some banks, however, balance on the *last Saturday* in June and December, and others on the 30th of June and on Christmas-eve. On the balancing day the following operations are passed through the books:—1. The current accounts will be debited for any interest or commission that may be due from the party to the bank.—2. The Current-Account-Ledger will be balanced, and the balance will be brought down as the commencement of the transactions of the ensuing half-year.—3. The customers' books must be balanced, and made to agree with the Current-Account-Ledger.—4. The interest due upon the outstanding deposit receipts must be calculated, and the sums added together.—5. The

General-Ledger must be balanced, and at the December balance the amount standing to the debit of the several classes of expenditure must be passed to the credit of those accounts, and to the debit of profit and loss account, and the several sums of profit that have been realized upon Government stock, India bonds, &c. are transferred to the credit of profit and loss account.

For each half-year a book must be provided to be called the Half-Yearly-Balance-Book. This book will contain the following entries:—

1. A balance-sheet showing the balances of the respective accounts in the General-Ledger in the same way as the weekly balance sheet.—2. A debtor and creditor balance-sheet, showing the exact condition of the bank.—3. An abstract of the profit and loss account.—4. A list of all the balances of the current accounts.—5. A list of all the outstanding deposit receipts, and the interest due upon each.—6. A list of all discounted bills *current*, i. e. bills not yet due.—7. A list of all deposited bills current.—8. A list of all other securities, distinguishing those that belong to the bank from those that are lodged by its customers.

The debtor and creditor balance-sheet will contain the same amounts as the balance-sheet of the General-Ledger, (see page 303,) but differently arranged. They may be disposed according to the following form:—

Statement of the Affairs of the Bank, on _____

Dr. THE _____ BANKING COMPANY. *Cr.*

Due to the Public on Current Accounts.				**Due to the Bank on Overdrawn Accounts.**			
Head Office, Town				Head Office, Town			
Ditto, Country				Ditto, Country			
Branch A.				Branch A.			
Branch B.				Branch B.			
Branch C.				Branch C.			
Total Current Accounts	...	...	...	Total Overdrawn Accounts	...	...	...
				Bills Discounted.			
				Head Office, Town			
				Ditto, Country			
Deposit Receipts.				Branch A.			
				Branch B.			
Head Office				Branch C.			
Branch A.				Total Amount of Bills Discounted	...	...	...
Branch B.							
Branch C.				**Loans.**			
Total Deposit Receipts	...	...	...	Head Office			
				Branch A.			
				Branch B.			
Notes in Circulation	...	...	...	Branch C.			
Credits on Agents	...	...	...	Total Amount of Loans	...	...	...
Total Lodgments	...	...	...	**Investments.**			
				Government Stock			
				Exchequer Bills.....			
				India Bonds			
Interest Account.				Other Investments			
				Total Investments.....	...	...	...
Head Office				Total available Assets	...	...	...
Branch A.				**Expenditure.**			
Branch B.				Head Office			
Branch C.				Branch A.			
Total Amount of Interest ..	...	...	...	Branch B.			
				Branch C.			
				Total Expenditure.....	...	...	...
Fund for Bad Debts.				**Past-Due Bills.**			
				Head Office			
Head Office				Branch A.			
Branch A.				Branch B.			
Branch B.				Branch C.			
Branch C.				Total Amount of Past-Due Bills	...	...	...
Total Amount of Fund for Bad Debts.....	...	...	...	**Sundry Accounts.**			
				Stamp Account			
				House Account			
Paid-up Capital				Ditto Branch A.....			
				Ditto Branch B.....			
				Ditto Branch C.....			
Sundry Accounts.				Total.....	...	...	...
				General Account of Cash.			
Forfeited Shares.....				Head Office			
Dividends				Branch A.			
Unclaimed ditto.....				Branch B.			
Surplus Fund.....				Branch C.			
Profit and Loss				Total Amount of Cash			
Total Sundry Accounts							
Total	...	...	...	Total	...	...	...

The abstract of the profit and loss account may be made out in the following form :—

Abstract of Profit and Loss Account, from Jan. 1, *to Dec.* 31.

Dr.				*Cr.*			
To Bank Premises				By Interest on Bills discounted			
Furniture				By Interest on Loans.			
Rent				By Commission on Current Accounts...			
Salaries				By Profit on Exchequer Bills, &c.			
Stationery							
Incidental Expenses.....							
Total Expenses							
Loss on bad Bills, &c.							
Balance in favour of the Bank							

At the end of the year the final balance of the profit and loss account is transferred to other accounts according to the purposes to which it is to be applied. If intended to be held as a "surplus fund," it is transferred to that account. If intended to be divided among the proprietors, it is transferred to a "dividend account," which is raised for that purpose. If the balance of the profit and loss account should be against the bank, then it must remain "on the wrong side" until further profits shall turn the balance the other way.

Besides the books connected with the business of banking, every joint-stock bank will require,

1. A SHAREHOLDERS'-REGISTER.—In this book the names of the shareholders are entered chronologically in the order in which they become shareholders. The entry includes the date, the name, residence, number of shares, and sum paid.

2. TRANSFER-REGISTER.—In this book are entered the transfer of shares from one proprietor to another. The entry includes date of transfer, from whom transferred, residence, ledger-folio, to whom transferred, residence, purchase-money, transfer stamp.

If a proprietor in a joint-stock bank wishes to dispose of his shares, he directs a stock-broker to sell them in the market. After the sale the broker gives notice to the directors of the bank in the following form :—

London, the day of 18

To the Directors of Banking Company.

Gentlemen,

Please to prepare the necessary document for transferring
Shares, from the name of of
to of
the consideration for which
Shares is £

Broker,
of

The deed of transfer is then made out according to a printed form prepared by the bank. This agreement is liable to a stamp duty, varying according to the amount of the purchase-money. When shares are transferred for a nominal consideration, say five or ten shillings, the stamp duty is thirty shillings.

The following is the scale of stamp duties upon the transfer of shares in joint-stock banks :—

When the purchase money is under £20					...	£0	10
For £20 and under	...		50	...		1	0
50	...	...	150	...		1	10
150	...	...	300	...		2	0
300	...	...	500	...		3	0
500	...	...	750	...		6	0
750	...	...	1,000	...		9	0
1,000	...	...	2,000	...		12	0

For £2,000	and under			£3,000	...	£25	0
3,000	...	...	...	4,000	...	35	0
4,000	...	...	...	5,000	...	45	0
5,000	...	...	...	6,000	...	55	0
6,000	...	...	...	7,000	...	65	0
7,000	...	...	...	8,000	...	75	0
8,000	...	...	...	9,000	...	85	0
9,000	...	...	...	10,000	...	95	0

The bank charges a fee of one shilling per share upon five shares or above for making the transfer, and two shillings and sixpence per share for any number less than five shares. Where there is no pecuniary consideration the charge is ten shillings for each transfer.

3. PROPRIETORS'-LEDGER.—In this ledger each proprietor has an account open, in the same way as in a cash-ledger. He is credited for the number of shares; and an entry is made of the different instalments he may pay. When he sells or transfers his shares, he is debited the shares, and they are placed to the credit of the party who may have purchased them. The entry includes the date, number of register, calls and transfers, number of shares, and amount.

III. We shall now consider those Improvements of which the above system is capable, so as to render it more efficient in large establishments.

As a bank increases its business, it becomes of importance to improve its system of book-keeping, and to adopt means of increasing the efficiency of its clerks. A large establishment can generally be conducted with a less *proportionate* number of hands than a small one. It admits of a more extensive application of the principle of a division of labour. In a small bank, one clerk may keep two or three books of various kinds, or perhaps act as both cashier and accountant. But in a large bank, each clerk is in general kept wholly to one employment. The

effects of this separation of occupations is the same in banks as in manufactories; and the description of these effects given by Adam Smith will equally apply to both cases.

"The great increase in the quantity of work which, in consequence of the division of labour, the same number of people are capable of performing, is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many."

The increase of dexterity by constant practice is very observable in the practice of "casting up." A clerk who is much accustomed to this operation will cast up a long column of figures with singular quickness and accuracy. It is also very observable in "calling over." Besides, owing to the abbreviations we have mentioned in p. 280, a clerk in calling over will speak so rapidly that an unpractised ear will hardly be able to follow him. Mr. Babbage gives the following instance of great dexterity acquired by practice:—

"Upon an occasion when a large amount of bank notes was required, a clerk in the Bank of England signed his name, consisting of seven letters including the initial of his christian name, five thousand three hundred times during eleven working hours, and he also arranged the notes he had signed in parcels of fifty each."*

The loss of time in passing from one operation to another is as obvious in mental processes as in those which are purely mechanical.

"When the human hand or the human head has been for some time occupied in any kind of work, it cannot instantly change its employment with full effect. The muscles of the limbs employed have acquired a flexibility during their exertion, and those to be put into action a stiffness during rest, which renders every change slow and unequal in the

* The Economy of Machinery and Manufactures.

commencement. A similar result seems to take place in any change of mental exertion; the attention bestowed on the new subject is not so perfect at the first commencement as it becomes after some exercise."*

The invention of expedients for facilitating and abridging labour is also as common in a bank as in a manufactory.

Mr. Francis has recorded, in his History of the Bank of England, a variety of improvements introduced into that establishment by Mr. William Rae Smee, a son of the chief accountant.

He proposed an alteration in the cheque office, by which he stated that the work which employed three principals and twenty-one clerks would be done more effectually by two principals and seven clerks. In the circulation department, the posting which formerly took fifty now employs only eight clerks. And the whole of that department, if now conducted upon the old system, would probably require nearly eighty additional assistants. In the National Debt Office Mr. Smee introduced such measures that "the directors were enabled so far to consult the accommodation of the public as to enable the transfers in the various offices to be made eight or nine days later than usual, the business which formerly occupied about thirty-two days being accomplished in about twenty-three." †

Similar improvements have been introduced into commercial book-keeping.

"The old method of journalizing and posting each transaction separately unnecessarily swells the accounts in the ledger with a multiplicity of figures, which greatly increases the difficulty of balancing, and, to say nothing of extra labour and loss of time, the liability to error is always in proportion to the number of entries, and *vice versâ*. If a hundred

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* The Economy of Machinery and Manufactures, by Charles Babbage.

† History of the Bank of England: its Times and Traditions; by John Francis; vol. ii. p. 141.

sums are posted when one would answer, then a hundred chances of error are incurred where only one was necessary; and in the event of an error in adjusting the accounts, a hundred entries must be called over and examined instead of one."*

The expedients introduced to improve any system of book-keeping have for their object either the saving of time *directly* by abbreviating the entries, or to save time *indirectly* by new modes of preventing or detecting errors. And it may be observed, that a minute alteration, hardly worthy of being adopted in a small bank, where it would save but a few minutes a day, may be very properly adopted in a large establishment, where the time saved would be in proportion to the greater extent of business. Sometimes an entry may be shortened by omitting some of the particulars. Thus, where we have been accustomed to enter with every bill—the name of the last indorser—the drawer and his residence—the accepter and his residence—the date, term when due, and the amount—we may properly perhaps omit some of these items. Or where we have repeated the same entry in several books, we may enter it in fewer books—or perhaps make the individual entries in only one book, and enter the total amount in the others—or, at other times, the whole form of a book may be changed, and we may by a new arrangement obtain the same results more clearly and in less time. Almost every bank will occasionally make some alteration of this kind as its business may require. And even each accountant has usually some little expedients of his own for facilitating his daily operations. We will notice a few of those amendments that have been adopted with the view of saving time and labour in some of our banking establishments.

Some large banks have adopted "the horizontal system

* Double Entry Elucidated, by B. F. Foster; p. 18.

of book-keeping," which is in some respects an improvement on the system described in the former editions of this work. The chief difference is in the mode of ruling the Received and the Paid-Waste-Books.

The Received-Waste-Book, instead of being ruled as described in p. 285, has *four* cash columns, three at the left hand as you face the book, and the fourth at the right hand, with a space between the third and the fourth. The different items of a credit entry, instead of being placed under one another, as in the former system, will be placed separately in the first three columns, and the total in the fourth column. Thus, if a sum of 543*l.* 10*s.* 7*d.* be received from Mr. Smith, and this sum consists of 3*l.* 10*s.* 7*d.* in coin or money, 100*l.* in a Bank of England note, and 440*l.* in a cheque on Jones, Loyd & Co., the entry will stand thus :—

Money.			Bank Notes.	Sundries.			Name.	Total.		
£	*s.*	*d.*	£	£	*s.*	*d.*	Smith.	£	*s.*	*d.*
3	10	7	100	440	0	0	Jones, Loyd & Co.	543	10	7

Thus it is seen that the first column is for money, the second column for bank notes, and the third column for "sundries;" that is, for all other articles; and these three columns are added together "horizontally," and the total brought out into the fourth cash column at the right hand. It will be observed, that the cashier has to add the items together, not longways, but crossways—not longitudinally, but "horizontally." After a little practice one way is just as easy as the other.

Some cashiers prefer having two columns only at the left hand, and two at the right hand, with the space between the second and third column, as the numbers

of the bank notes, and the names of the bankers on whom the cheques are drawn, can then be placed on the same line; but this is not a matter of much consequence.

Now, if you "cast up" the first left-hand column, you will have at the close of the day the total amount of money, *i.e.* coin, received during the day. If you cast up the second column, you will have the total amount of bank notes. The third column will give the total amount of "sundries." And the amount of these three columns together will be equal to the fourth column, containing the total amount of the credits. If this should not be the case, there must be some error, which must be discovered forthwith. Thus the Horizontal-Received-Waste-Book is a check upon itself. As soon as the cashier gets to the bottom of a page, he casts up his book, and sees that the three columns are exactly equal to the fourth. Thus he keeps his book right as he goes on. Whereas, in the former system, any error in the Received-Waste-Book would not be discovered till the General Balance was tried at the close of business, and not then, perhaps, until after a long course of "marking off."

To simplify my explanation, I have described the Received-Waste-Book as having only four cash columns, and these are perhaps enough for a small bank. But large establishments have sometimes seven or eight, perchance in the following order:—1. Money, *i.e.* coin. 2. Bank notes. 3. Parcels of bank notes, called sundries. 4. Country notes. 5. Checks on clearing bankers. 6. Checks on bankers who do not clear. 7. Checks on our own bank. —— a space. 8. The total amount of the credit.

The Horizontal-Paid-Waste-Book is ruled with three cash columns. One to the left for the amount of the

cheque paid; then an open space for the name; then a column for the bank notes, and another for the money, *i.e.* coin. The London bankers do not pay away any bills or country notes in exchange for cheques, but only Bank of England notes and coin. The entry stands thus:—

Amount of Cheque.			Name, and No. of Bank Note.		Bank Notes.	Money.		
£	*s.*	*d.*			£	£	*s.*	*d.*
101	4	3	White.	1473.	100	1	4	3

The amount of the columns containing the bank notes and the money will of course be equal to the column containing the amount of the cheques. And thus this Paid-Waste-Book contains a check upon itself.

The Horizontal-Paid-Waste-Book may have at the left hand two cash columns, one for the town and the other for the country departments, and also a separate column for the country notes; thus:—

Town.			Country.			Country Notes.	Name.	Bank Notes Paid.	Money.		

This prevents the necessity for having both a Town and a Country Paid-Waste-Book, while the two departments are still kept distinct. The country notes are also separated, and can be checked by themselves. When all are added together, the total of the three columns at the left must be equal in amount to the total of the two columns at the right hand. The articles paid must be equal to

the bank notes and money which were issued in payment.

We shall now point out some of the advantages of the horizontal system of keeping the Waste-Books.

First. As all the receipts and payments of money, *i.e.* coin, are entered individually in the Received and Paid Waste-Books, and the amounts added together, it will not be necessary that these sums be copied individually into the Money-Book. The total amount only of each column is entered in the Money-Book at the close of the day's business, and the Money-Book is balanced. Thus, all the time employed in making the entries individually in the Money-Book is saved.

Secondly. As all the credits to current accounts are added together in the Received-Waste-Book, it is not necessary they should be entered individually in the Day-Book. They can be individually posted direct into the Ledger, and the total only be entered in the Day-Book. The same remark will apply to the Paid-Waste-Book. This is another saving of time and labour.

Thirdly. Every Waste-Book, as we have already intimated, is a check upon itself. We have spoken of a Received-Waste-Book and a Paid-Waste-Book as though a bank had but one—and in small banks this is the case. But in large banks, there are seven or eight cashiers or more, each having a Received-Waste-Book and a Paid-Waste-Book for the town department, and another Received-Waste-Book and Paid-Waste-Book for the country department, with a Supplementary-Received-Waste-Book, and a Supplementary-Paid-Waste-Book, and a Money-Book besides. Now, it is a great advantage to have the means of keeping all these books free from errors during the day, and to know at night that they are all correct. If the "Balance" be wrong, the field of inquiry

is thus very much limited, and the time that would otherwise be employed in checking the Waste-Books is devoted to the examination of the other books of the bank.

Fourthly. This plan gives the means of checking separately those items that have a column appropriated to them. Take, for example, the column of Bank notes. If we add to the amount of bank notes on hand last night the amount received to-day, and deduct the amount paid away, the remainder should be the amount on hand to-night. When this is the case the bank notes are right. In the same way we may check the money columns, the clearing columns, &c. Thus, when the trial balance is wrong, we can check these items separately, and thus more readily discover the error. Without this expedient we should have to "mark off" the whole business of the day.

It will be observed that the above Waste-Books refer only to receipts and payments on current accounts. All other receipts and payments are entered in a Supplementary-Receipt-Book and a Supplementary-Paid-Book. These books are ruled in the same way as the other Waste-Books, and they embody entries in connexion with deposit receipts, received or paid, credits or debits to interest accounts, debits to salaries, taxes, incidental accounts, &c. &c. All these items are then entered in the Day-Book, from whence they are posted into the General-Ledger. A book is also provided, usually called a Transfer-Book, in which are entered all the cheques on the bank paid in by other customers, as these merely cause a *transfer* of the amount from one customer to another.

Books which are designed chiefly as registries or summaries should be kept on the horizontal system. Thus, a London bank which keeps an account with the Bank of England, will have to lodge to its credit notes, gold, silver, post-bills, cheques, dividend warrants, &c.

To keep a registry of this, a book may be opened horizontally—the first column at the left hand being the date, and then these words being entered over separate columns, at the top of the page; afterwards a column for the total amount of all these items—then a credit column for the cheques drawn each day—and then the daily balance. If this book be made of such a size as to contain about thirty lines, then each page will contain the transactions of a month. And, by adding up the columns, the figures at the bottom of the page will show the separate amounts of notes, gold, silver, &c. paid into the Bank of England in the course of a month. By comparing the different pages, it will be seen on what months the largest, or the smallest sums are paid into the bank.

In constructing Tables it is also best to follow the horizontal system. Thus, to keep a record of the weekly returns of the Bank of England, it is best to arrange the items into columns, with the heading at the top of each column—the first column containing the dates of the several returns. It will then be easy to trace the fluctuations in any one item; such, for instance, as the "Public Deposits," "the Private Deposits," "the Rest," &c. &c. Some of the Returns published in the Appendix to the Parliamentary Evidence of 1847, have been arranged on this principle.

We will now notice some farther improvements that have sometimes been adopted by large banks in their system of book-keeping. The great object of all these improvements is, as we have already mentioned, either to save time directly, in making the entries, or indirectly, by preventing or discovering errors. These are—

1. The abolition of the Discount-Register. Here the bills are entered at once in the Discount-Ledger, under the names of the respective parties for whom they are

discounted; and the total amount of bills discounted each day is entered in the Day-Book, from the Interest-Book, which contains the calculations of discount. The only objection to this plan is, that the space in the Discount-Ledger does not admit of so full a description of the bill as is usually given in the Discount-Register. The Bill-Register is also abolished in the same way.

2. The adoption of a Check-Ledger facilitates the discovery of errors, and thus diminishes the time employed in searching for them. Though this book is called a Check-Ledger, it is not kept ledger-wise. It is ruled with a cash column on each side the page. In the column opposite your left hand you enter, from the cheques themselves, all the cheques paid during the day. In the right-hand column you enter from the Received-Waste-Books all the credits of the day. When you add up these two columns, they will of course agree with the amounts of the Paid-Waste-Book and the Received-Waste-Book. Thus the accuracy of the Check-Ledger is insured. Now, where the balances of the Current-Account-Ledger are checked every week, you employ the Check-Ledger to test their accuracy in this way. If to the amount of the balances of the Current-Account-Ledger last week, you add the total credits entered in the Check-Ledger during the week, and deduct the total debits entered in the Check-Ledger during the week, the remainder will show the total amount of the balances of the Current-Account-Ledger for the present week. Each Current-Account-Ledger will have a Check-Ledger, and thus each Ledger will be checked separately, so that when the total balance is wrong, it will at once be seen in which Ledger the error has occurred.

Time is sometimes lost by a clerk taking up the wrong book—opening it, putting it down, and then taking up the right one. A cashier, for instance, will sometimes take up

the Paid-Waste-Book instead of the Received-Waste-Book. To prevent this, the two books may have covers of different colours—one white, the other green. Time may be lost by two clerks wanting the same book at the same time. The ledger-keeper may want to post from the Received-Waste-Book when the cashier is using it. To prevent this, there may be two sets of Waste-Books—one for Mondays, Wednesdays, and Fridays, and the other for Tuesdays, Thursdays, and Saturdays; and, to prevent mistakes, the names of the days should be written in large letters on the covers of the books.

IV. We will now make a comparison between the system of Book-keeping practised by Merchants, and that practised by Bankers.

The merchants have their Waste-Book, Journal, Ledger. The bankers have their Waste-Book, Day-Book, Ledger.

In both cases the Waste-Book is the book in which transactions are first entered. But this book is capable of subdivision: it contains a record of various transactions, some of which may be entered in separate books. Bankers have their Received, Paid, and Supplementary Waste-Books; also their Deposit-Receipt-Book, Discount-Registers, and other books subsidiary to the Waste-Book. So merchants have their Waste-Book subdivided into various books, according to the nature of the transactions. There is the Invoice-Book, containing an account of all goods purchased; the Sales-Book, containing an account of all goods sold; a book for "Bills Receivable," containing a list of all bills in the merchant's hands, which when due he will *receive;* another for bills payable, containing a list of all bills he has accepted, and which when due he will have to pay; a Cash-Book, containing an account of all cash he receives or pays away; and several others, varying

according to the character and extent of the business. Now all these subdivisions of the merchant's Waste-Book resemble those of the banker's in two things—first, they are all kept *chronologically*—they contain a record of the transactions in the order of time in which they occurred: and, secondly, all the transactions thus recorded must afterwards, upon the system of double entry, pass, either individually or in totals, through the book which merchants call a Journal, and bankers call a Day-Book.

The words "Journal" and "Day-Book" have the same meaning; and in this instance the use of the two books is similar. But in the merchant's Journal individual transactions may be entered, while in the banker's Day-Book they are always entered in totals. Thus the total amount of "Bills Discounted," and the total amount of credits and payments on current accounts, are entered in the Day-Book, but not the individual items. Another difference is, that over each entry in the merchant's Journal you state to what account it is to be posted; for every entry is posted to two accounts—to the debit of one account, and to the credit of the other. And this is denoted by Dr. being placed before the name of the account to be debited. Thus, if a merchant buys some goods for ready money, the Journal entry is preceded by—

Goods Dr. to Cash;

implying that the account "Goods" is to be debited, and the account "Cash" to be credited. On the other hand, if he sells goods for ready money, the transaction will be journalized thus:—

Cash Dr. to Goods.

If he sells goods upon credit to John Brown, it will be—

John Brown Dr. to Goods.

If he sells goods for a bill of exchange, it will be—

Bills Receivable Dr. to Goods.

If he sends goods abroad, as a speculation, in the ship *Adventure*, he may raise an account for the ship, and say—

Ship Adventure Dr. to Goods.

The entries in the banker's Day-Book are made daily, but the entries in the merchant's Journal are generally made once a month.

THE LEDGER.—We have stated that in the merchant's Ledger every entry is made twice—one account being debited, and another credited—and these two accounts are indicated in the Journal. This is what is called book-keeping by double entry. If it be asked, whether bankers keep their books by double entry?—the answer is, that those bankers who have no General-Ledger (and this is the case with not a few of the private bankers) do not keep their books by double entry. The Current-Account-Ledger is not kept by double entry. It contains none but personal accounts, and its accuracy is tested only by the periodical balancings. The banker's Ledger, that corresponds in this respect with the merchant's Ledger, is not the Current-Account-Ledger, but the General-Ledger. This is kept by double entry. In a ledger kept by double entry, the sum of all the debit balances will be equal to the sum of all the credit balances; and the sum of all the debit amounts will be equal to the sum of all the credit amounts. When this is not the case there is an error in some of the accounts. This is the case with the banker's General-Ledger. But, as the transactions are not posted individually, but only in totals, the double entry does not appear on the face of the accounts. Thus, if a bill be discounted for a customer, and the amount placed to the credit of his current account, the Journal entry, on the principle of mercantile book-keeping, would stand thus:—

Bills Discounted Dr. to Current Accounts.

But the bill discounted is placed to the debit of the account of "Bills Discounted," in a total of all the bills discounted on that day. And the amount is placed to the credit of Current Accounts, in the total of all the sums received to the credit of Current Accounts on that day. Thus, the "double entry," though equally real, is not so apparent as though the transactions were posted individually.

So, again, if a country banker should discount a bill, and the customer ask for a draft on his agent in London, the Journal entry, on the commercial system, would stand thus:—

Bills Discounted Dr. to Drafts on London.

It would go to the debit of "Bills Discounted," in the total of all the bills discounted that day, and it would go to the credit of "Drafts on London," in the total of all the drafts on London issued on that day.

The accounts in a merchant's ledger are usually classified into Personal Accounts, Real Accounts, and Profit and Loss Accounts. The Personal Accounts are the accounts of persons who may owe the merchant money, or to whom he may owe money. The Real Accounts are accounts denoting property, such as cash, bills receivable, bills payable, merchandise, ship adventure, &c. The Profit and Loss Accounts are rent, commissions, expenses, and all other accounts which are ultimately transferred to the debit or the credit of the Profit and Loss Account.

The banker's General-Ledger has no Personal Accounts, as these are all kept in the Current-Account-Ledger. The usual accounts are those I have enumerated in page 303, and are all either Real Accounts or Profit and Loss Accounts.

It would be quite possible (but not desirable) to introduce all the Personal Accounts into the banker's General-

Ledger, and thus to form the Current-Account-Ledger and the General-Ledger into one, and keep the whole by double entry. In this case we should omit the totals of Current Accounts, now introduced into the General-Ledger, and insert every transaction individually. If John Brown drew a cheque on the bank, the Journal entry would stand thus:—

John Brown Dr. to Cash.

And if he paid in money to his credit, the Journal entry would stand thus:—

Cash Dr. to John Brown.

All the entries passed to the Dr. and Cr. of these Personal Accounts would of course pass to the Cr. and Dr. of Cash. Indeed, all the entries to the Dr. and Cr. of Cash would be the same as are now made in the Check-Ledger, except that the debtor column would be called creditor, and the creditor column would be called debtor. By the use of such a Check-Ledger as we have described, page 325, (for there are various kinds of Check-Ledgers,) the Current Accounts are virtually kept by double entry; and we have the additional advantage that, when there are more than one Ledger, we are enabled to check each Ledger separately.

To accountants in banks where a General-Ledger is not kept, it appears strange that "Cash" should be *credited* for money which is *paid away*, and *debited* for money which is received. But this strangeness will vanish, if for the word "Cash" they would fix in their mind the word "Cashier." If they had an account with a cashier, they would of course *debit* him, as they do their banker, for all monies they paid into his hands, and credit him for all monies they drew out. And the difference between the amounts of these debits and credits would be the balance either in their favour, or against them.

In thus comparing the commercial and the banking systems of book-keeping, I have hitherto supposed that all merchants keep their books by double entry. But this is not always the case with the smaller houses. And then their system more nearly resembles the system of those bankers who do not keep a General-Ledger.

"In keeping books by single entry, the *Daily-Books* are kept in the same manner as in double entry, with the exception of a column of reference to the Ledger in each book, which takes the place of a column of reference in the Journal—this book being dispensed with. The entries are posted directly from the Daily-Books into the Ledger. In the Ledger, by single entry, strictly speaking, there ought to be only one kind of accounts; namely, Personal Accounts, including all persons to whom a merchant becomes indebted, and all persons who become indebted to him." *

It will be seen from this account, that, in mercantile book-keeping by single entry, the merchant's Ledger resembles the Current-Account-Ledger of the banker. In single entry the merchant dispenses altogether with his Journal; but the banker usually retains his Day-Book, even when he does not keep a General-Ledger. But, in this case, the Day-Book contains only the debits and credits, individually, of the Current Accounts, which are posted afterwards into the Current-Account-Ledger. In the horizontal system, as we have stated, the debits and credits of the current accounts are not entered individually in the Day-Book, but the total amounts are taken from the Paid and Received Waste-Books.

* Wallace's Pocket Guide to Commercial Book-Keeping.

SECTION XIII.

BANKING CALCULATIONS.

When a bill is discounted, the party is credited for the full amount, and debited for the interest. The interest is calculated from the day on which the bill is discounted to the time it falls due. The shortest way is to make use of an interest book; but if it be done with the pen, the following rule may be useful. Multiply the amount of the bill by the number of days. To the product add one-third of itself, one-tenth of that third, and one-tenth of that tenth. From the total strike off four figures to the right for decimals. This will give the interest at 5 per cent. in pounds and decimal parts of a pound. The decimals are to be brought into shillings and pence, by multiplying by twenty and twelve. The interest of any sum at a different rate per cent. may be found in the same way, if you multiply the principal by twice the rate of interest, and strike off five figures for decimals instead of four.

Example.—It is required to find the interest of 500*l.* for ninety days at 5 and $3\frac{1}{2}$ per cent.

	£		£	
	500	principal.	500	principal.
	90	number of days.	7	twice the rate of interest.
1-3rd	45000		3500	
1-10th	15000		90	number of days.
1-10th	1500			
	150		1-3rd 315000	
			1-10th 105000	
	6·1650		1-10th 10500	
	20		1050	
	3·3300		4·31550	
	12		20	
	3·9600		6·31000	
			12	
			3·72000	

Answer—6*l*. 3*s*. 3*d*. at 5 per cent.
„ 4*l*. 6*s*. 3*d*. at 3½ per cent.

It must be observed, however, that this method of calculation is not exactly correct; it produces nearly a farthing too much on every 10*l*. of interest. In calculating large sums, therefore, the amount of these farthings must be deducted.

This mode of calculation is founded upon the rule, that whenever you have to divide by any number under 100, you may divide by 100; after having added to the dividend such a proportion of itself as the difference between the divisor and 100 bears to the divisor, the result will be the same as though you had divided in the usual way. This rule is best explained by an example.

Suppose you have to divide 2500 by 40. Now if 40 be subtracted from 100, there will remain 60. The proportion which 60 bears to 40 is 1½. If then you add to the dividend 1½ times itself, and divide by 100, you have the quotient required: thus—

2500
2500
1250

62·50 Answer, 62½.

Now then, to find the interest upon any sum for one day, you may divide by 7,300, or, striking off the ciphers, by 73. The number required to make up 100 is 27. What is the proportion between 27 and 73? If you take the third of 73, a tenth of that third, and a tenth of that tenth, you have something more than 27. And if you add to 73 one-third of itself, one tenth of that third, and one-tenth of that tenth, you will have $100\frac{1}{100}$, which divided by 100 will give $1\frac{1}{10,000}$. As the proportion is not exact, the interest given by the above rule will always be $\frac{1}{10,000}$th part too much, which is about a farthing in every 10*l.* interest.

In taking the interest for any number of months, it will be useful to remember that the interest of 1*l.* for one month at 5 per cent. is 1*d.* Thus the interest of 100*l.* for two months is twice a hundred pence, or 16*s.* 8*d.* The interest upon shillings and pence is never taken into the account. If the fraction is more than 10*s.* it is regarded as 1*l.*; and if it be less, it is not noticed.

The interest for any number of months, at any rate per cent., may be found by multiplying the number of months by the rate of interest: with this sum divide 1,200. By this quotient divide the principal, and you have the interest required.

Example.—What is the interest of 10,000*l.* at 4 per cent. for three months? 4 multiplied by 3 gives 12—divide 1,200 by 12, and you have 100; then divide 10,000 by 100, and you have 100*l.*, the interest required.

To find the interest of any sum of money at 6 per cent. for any number of months,*

* This and the subsequent rules may be found illustrated in Crossley's Intellectual Calculator, in Fryer's Mental Arithmetic, and in similar works.

Rule.—Multiply the number of pounds by the number of months, cut off the unit figure, and the remainder is the answer in shillings. The unit figure multiplied by $1\frac{1}{5}$ will give the pence.

Example.—What is the interest of 13,476*l.* 10*s.* 8*d.* for 6 months at 6 per cent. per annum?

£	*s.*	*d.*
13,476	10	8
		6
20) 80,859	4	0

404 · 5 · 10

Having obtained the interest of any sum at 6 per cent., it is easy to find the interest at $1\frac{1}{2}$, 2, 3, or 4 per cent. by taking $\frac{1}{4}$, $\frac{1}{3}$, $\frac{1}{2}$, or $\frac{2}{3}$ the interest, as the case may be.

To find one year's interest at any rate per cent.

Rule.—Multiply the money lent by double the rate per cent., reject the unit figure, and you have the answer in shillings.

Example.—What is the interest of 27*l.* 10*s.* for one year at 3 per cent.?

£	*s.*	
27	10	
	6	double the interest.
16·5	0	
	12	
6·0		Answer 16*s.* 6*d.*

To find the interest of any sum of money at 5 per cent. for any number of months.

Rule.—Take the pounds as pence, and multiply by the months.

Example.—What is the interest of 120*l.* at 5 per cent. for 8 months?

		s.	
120 pence	=	10	
		8	number of months.
£4	0	0	Answer.

To find the interest of any number of days at 5 per cent.

Rule.—Multiply the days by one-third of the pounds, or the pounds by one-third of the days, reject the unit figure, and you have the answer in pence.—N.B. As this rule is founded on the assumption that the year consists of only 360 days, you must deduct one penny from every six shillings of interest.

Example.—What is the interest of 120*l*. for 21 days at 5 per cent. ?

£120			Or,	21 days		
7 = ⅓ of 21 days.				40 = ⅓ of the pounds.		
12)	84	0		12)	84	0
7 shillings. Answer.				7 shillings. Answer.		

There is often a difference in the amount of interest according to the method of calculation, either by months or by days. A month from the 10th of February to the 10th of March, is only 28 days; but from the 10th of March to the 10th of April, a month is 31 days. The half year from the 1st of January to the 30th of June, is 181 days; but from the 1st of July to the 31st of December, the half year is 184 days. The interest of 10,000*l*. for 6 months is 250*l*.; for 181 days it is only 247*l*. 18*s*. 11*d*.; for 184 days it is 252*l*. 1*s*. 1*d*. Mr. Reader has published a series of Time Tables, showing the number of days from every day in the year to any other day in the year.

Interest tables, calculated at any rate of interest, may occasionally be employed to ascertain the interest on any sum at a different rate. This is done by taking that pro-

portion of the principal, or of the time, which the given rate of interest bears to the rate of the interest tables. For example, if it be necessary to ascertain the discount on a bill of 100*l.* for 50 days at 4 per cent., and you have interest tables calculated at 5 per cent., you may take either four-fifths of the time or four-fifths of the amount. For, the interest of 100*l.* for 40 days, or the interest of 80*l.* for 50 days, at 5 per cent., is equal to the interest of 100*l.* for 50 days at 4 per cent.

When a bill is discounted, bankers charge interest on the full amount of the bill, and take it at the time. Thus, if a bill be discounted at 5 per cent., they will obtain more than 5 per cent. on the money actually advanced. This is allowed by law, and is not liable to be set aside on the ground of usury. Should it be necessary in other cases to allow discount or rebate, the mode of calculating it would be thus :—

Example.—What is the rebate at 5 per cent. on a sum to be received a year hence? Then, as 105 is to 100, so is 100 to the sum required.

105 : 100 :: 100 Answer 95*l.* 4*s.* $9\frac{3}{21}$*d.*

```
      100
   ---------
105 ) 10000 ( 95
      945
     -----
       550
       525
     -----
        25
        20
     -----
105 ) 500 ( 4
       420
     -----
        80
        12
     -----
105 ) 960 ( 9 3/21
       945
     -----
        15
```

When you have to find the interest of a large sum for one day, you may strike off two figures from the right hand, and take the interest of the remainder for 100 days. Thus, if you have to find the interest of 47,863,47*l.* for one day, take the interest of 47,863*l.* for 100 days, then take the interest of 47*l.* for one day, and add the two sums together. The interest of 1*l.* for 100 days is the same as the interest of 100*l.* for one day. It may be given as a general rule, that a different time and sum may be employed, provided they yield the same product when multiplied together. Thus, the interest of 10,000*l.* for one day is the same as the interest of 1,000*l.* for 10 days.

Bankers differ in their mode of calculating the interest upon current accounts. Some have an Interest-Ledger, or cash columns ruled in the Current-Account-Ledger, in which they state the interest upon every individual item in the account. Thus, for instance, the general balance takes place the 30th of June, and the 31st of December. If a sum of money is paid in on the 1st of May, the interest is calculated on that amount from the 1st of May to the 30th of June, and is then carried to the *credit* of the party's interest account. On the other hand, if a cheque be drawn on the 1st of May, the interest is calculated and carried to the *debit* of the interest account. On the 30th of June, the interest account is balanced, and the balance is carried to the debit or credit of the party's current account. Other bankers take off the balance of the current account into a separate book (or have columns ruled in the ledger for bringing out the balances*) for every day, from the 1st of January to the 30th of June; add all these amounts together, and then take the interest of the total for one day. To take the interest for one day is a very easy operation. The interest

* See p. 290.

of any sum for one year at 5 per cent. is one-twentieth part of the principal, and the interest for one day is the 365th part of the interest for a year. Now, 365 multiplied by 20 gives 7,300. You have then only to divide any sum by 7,300, and you have the interest of that sum for one day at 5 per cent. per annum. The interest of any sum for one day at any other rate than 5 per cent. may be found by multiplying the principal by twice the rate of interest, and dividing the product by 73,000. But the best way is to make use of Gilmer's Interest Tables, published by Sims and M'Intyre, of Belfast. Similar Tables have also been published by Mr. Coulthart, manager of the Ashton-under-Lyne Joint-Stock Bank.

Banks who compound for the stamp duty on their notes and twenty-one day bills on London calculate the sum to be paid by ascertaining the amount in actual circulation every Saturday night. The amounts for all the Saturdays in the half-year being added together, and divided by 26, the number of weeks, the quotient shows the average amount in circulation during that period, and the duty paid is at the rate of 3*s.* 6*d.* per cent. upon this average amount. This is at the rate of 7*s.* per cent. upon the average annual amount.

To ascertain what denomination of notes remains the longest in circulation, let the total average circulation for any given period be represented by the number 1,000; and let the amount of each particular denomination be represented by a proportionate part of 1,000. Then let the total amount of notes paid during the same period be represented by 1,000, and the amount of each denomination of notes be proportionally ascertained; then place these two series of numbers in juxta-position, and it will immediately be seen what denomination of notes remain out the longest. For instance, if the average amount of

a banker's circulation consist of 20,000*l.* in 5*l.* notes; 15,000*l.* in 10*l.* notes; 10,000*l.* in 20*l.* notes; and 5,000*l.* in 50*l.* notes, then the proportionate numbers will stand thus:—

Total Circulation.	£5.	£10.	£20.	£50.
1,000	400	300	200	100

Then, if during the same period the amount of notes paid of different denominations have been—15,000*l.* in 5*l.* notes; 15,000*l.* in 10*l.* notes; 12,000*l.* in 20*l.* notes; and 8,000*l.* in 50*l.* notes, the proportional numbers will stand thus:—

Total Paid.	£5.	£10.	£20.	£50.
1,000	300	300	240	160

By placing these numbers under the preceding ones, it will be perceived that the amount of 5*l.* notes paid is less than the proportional amount in circulation; and, consequently, notes of this denomination remain out the longest; the 10*l.* notes remain out a less time; the 20*l.* a still shorter term; and the 50*l.* notes the shortest term of all.

To ascertain how long a banker's notes remain out, take the average amount in circulation for any given period, say three months; ascertain the amount of notes paid during that period. If the amount paid during the three months is twice the average amount in circulation, then the notes have remained out six weeks. If the amount paid is three times the amount in circulation, then the notes have remained out one month. The term which any particular denomination of notes remains in circulation can of course be ascertained in the way I have already described. These calculations are easily made by a table of logarithms.

The following Account shows the Average Amount of Bank of England Notes in Circulation, distinguishing the Denominations, together with the Number of Days the Notes remained out, in the October Quarter 1843, 1844, 1845, 1846 *and* 1847 :—

	October Quarter, 1843.		October Quarter, 1844.		October Quarter, 1845.		October Quarter, 1846.		October Quarter, 1847.		
	Amount.	Days.	Amount.	Days.	Amount.	Days.	Amount.	Days.	Amount.	Days.	
	£		£		£		£		£		
£5	4,879,000	88·0	5,651,000	86·8	5,911,000	77·8	6,143,000	80·6	5,816,000	74·0	£5
£10	3,440,000	91·3	3,881,000	91·4	3,992,000	78·3	4,046,000	79·5	3,759,000	73·6	£10
£20	1,221,000	67·4	1,417,000	66·7	1,473,000	58·6	1,458,000	58·9	1,398,000	54·3	£20
£30	302,000	23·2	264,000	23·0	236,000	21·1	228,000	20·8	218,000	19·3	£30
£40	264,000	17·4	221,000	17·2	205,000	15·5	193,000	15·0	180,000	13·3	£40
£50	1,548,000	46·2	1,751,000	48·5	1,773,000	39·8	1,660,000	40·1	1,636,000	37·0	£50
£100	1,894,000	34·9	2,249,000	34·1	2,383,000	29·0	2,243,000	27·1	2,294,000	26·2	£100
£200	392,000	14·8	399,000	14·4	400,000	12·9	373,000	12·3	362,000	10·9	£200
£300	370,000	12·2	397,000	12·4	388,000	10·8	381,000	10·8	354,000	9·0	£300
£500	870,000	14·1	827,000	13·8	903,000	12·1	794,000	12·0	803,000	10·3	£500
£1,000	2,924,000	12·2	3,082,000	10·3	3,432,000	10·1	2,921,000	8·9	2,355,000	7·3	£1,000

In calculating commissions for 1 per cent. divide by 100; for $\frac{1}{2}$ per cent. by 200; for $\frac{1}{4}$ per cent. by 400; for $\frac{1}{8}$ per cent. by 800.

In calculating the dividends on stock, if it be in the 4 per cents. the half-yearly dividends will be one-fiftieth part of the principal. Hence, multiply by 2, and divide by 100.

If the stock be 3 per cents. the half-yearly dividend will be $\frac{3}{200}$ths of the principal. Hence, add to the principal one-half of itself, and divide by 100.

If the stock be $3\frac{1}{2}$ per cent. add to the principal one-half and one-quarter of itself, divide by 100, and you have the half-yearly dividend.

If the stock be $3\frac{1}{4}$ per cent. add to the principal one-half and one-eighth of itself, divide by 100, and you have the half-yearly dividend.

Examples. — What is the half-yearly dividend on 13,476*l.* 10*s.* 8*d.* 3 per cents., $3\frac{1}{4}$ per cents., $3\frac{1}{2}$ per cents., and 4 per cents.?

3 PER CENTS.			$3\frac{1}{4}$ PER CENTS.			$3\frac{1}{2}$ PER CENTS.			4 PER CENTS.		
£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*	£	*s.*	*d.*
13476	10	8	13476	10	8	13476	10	8	13476	10	8
6738	5	4	6738	5	4	6738	5	4			2
202·14	16	0	1684	11	4	3369	2	8	269·53	1	4
20			218·99	7	4	235·83	18	8	20		
2·96			20			20			10·61		
12			19·87			16·78			12		
11·52			12			12			7·36		
			10·48			9·44					

		£	*s.*	*d.*
Answer.—3	per cent.	202	2	11
„ $3\frac{1}{4}$	per cent.	218	19	10
„ $3\frac{1}{2}$	per cent.	235	16	9
„ 4	per cent.	269	10	7

In making calculations respecting the purchase or sale of stock, multiply the amount of stock by the price, and divide by 100. Stock-brokers have seldom any occasion to make these calculations, as there are books published expressly for their use.

To compute the half-year's dividend on any amount of stock in the 3 or the $3\frac{1}{4}$ per cents. within one penny.

Rule.—Multiply the amount of stock by 3 or $3\frac{1}{4}$, respectively. Take the unit of the pounds produced by that multiplication for pence, and the remaining figures of the pounds for shillings. But when the unit of the pounds produced by this multiplication is more than 4, and also when there are shillings or pence in this product, then one penny must be added to the result for the unit, and one penny for the shillings and pence.*

Example 1.—What is the half-yearly dividend on 13,476*l.* 10*s.* 8*d.* in the 3 per cents.?

	£	*s.*	*d.*	
	13476	10	8	
			3	Multiply by 3.
20)	4042·9	12	0	
	£202	2	9	Add 2*d.* as above. 202*l.* 2*s.* 11*d.*

Example 2.—What is the half-yearly dividend on 13,476*l.* 10*s.* 8*d.* in the $3\frac{1}{4}$ per cents.?

	£	*s.*	*d.*	
	13476	10	8	
$\frac{1}{4}$			3	
	40429	12	0	
	3369	2	8	
20)	4379·8	14	8	
	£218	19	8	Add 2*d.* as above. 218*l.* 19*s.* 10*d.*

* Tables founded on this rule have been printed by Mr. J. Sterland, of Margate.

In passing through the books a purchase of Long Annuities, debit the account of Long Annuities for the purchase money. Then calculate how much per annum the annuity will yield upon the capital invested, recollecting that the annuity will expire on the first quarter in the year 1860. Supposing this rate to be 4 per cent. you will, when the annuity is received in April or October, debit Long Annuity account 4 per cent. interest on the purchase money, and credit the same account the amount of the annuity received. The first entry will be passed to the credit of Profit and Loss account. The second entry will be passed to the debit of Cash Account, as a return of capital. The balance of the Long Annuity account after each entry is made, will show the amount of capital that then remains invested in Long Annuities.

The stock-brokers charge one-eighth commission on all purchases and sales of stock; one shilling per cent. on Exchequer Bills and India Bonds. The charges are made on the amount of stock, not on the amount of money invested. In the purchases or sales of shares in public companies the usual charge is 5*s*. per share. In continuation accounts; that is, where a party buys stock for money, and sells it for time, the charge is only one-sixteenth per cent. Upon terminable annuities the charge is one-eighth per cent. upon the money invested. "One-eighth commission" is a charge of 2*s*. 6*d*. (the one-eighth of a pound sterling) on every 100*l*.; a quarter commission is, of course, 5*s*. The stock-broker usually allows the London banker one-half the commission.

If the stock stands in the name of several persons, any one may receive the dividends, but they must unite to execute a sale. If one or more of the parties die, the stock is transferred by the survivors, without the concurrence of the executors or representatives of the deceased

party. Hence, if a father wished to give his son a certain amount of stock at his death, he might place the stock in his own and in his son's name, and upon his death his son would become the actual possessor of the property. Powers of attorney made and executed for the sale or transfer of stock must be deposited at the bank, for examination, before two o'clock, the day previous to being acted upon; if only for receiving dividends upon stock, it is sufficient to present the power of attorney at the time when the first dividend thereon becomes payable. A power of attorney costs 1*l.* 1*s.* 6*d.*; but for Bank, India, and South Sea Stock, 1*l.* 11*s.* 6*d.*

Expense of a Transfer in	£	£	*s.*	*d.*		£	£	*s.*	*d.*
Bank Stock, not exceeding	25	0	9	0	exceeding	25	0	12	0
India Stock.....	10	1	10	0	.....	10	1	14	0
South Sea Stock.....	100	0	9	6	.....	100	0	12	0

The dividends on the 3 per cent. Consols are paid in January and July. The dividends on the 3 per cent. Reduced, and on the $3\frac{1}{4}$ per cent., are paid in April and October. This last stock bears interest at $3\frac{1}{4}$ per cent. only till October, 1854; afterwards, 3 per cent.; but the interest cannot be further reduced until October, 1874.

The United States of America reckon their money in dollars. To turn dollars, at the exchange of 4*s.* 6*d.* per dollar, into pounds sterling, multiply the number of dollars by 9, and divide by 40. To turn pounds sterling into dollars, multiply by 40, and divide by 9.

The French calculate their stock, not by the amount of the principal, but by the amount of the dividend. Thus, 1,000 francs in the French rentes, denote 1,000 francs per annum. To calculate the purchase money for any amount of French rentes, first ascertain the principal. For the 5 per cents. you multiply by 20, and for the $4\frac{1}{2}$ per cents. by $22\frac{2}{9}$;—for the 4 per cents. by 25, and for the 3 per

cents. by $33\frac{1}{3}$. Having obtained the amount of stock, and the price, proceed in the same way as in calculating the purchase money for English stock.

The following quotations from Waterston's "Commercial Dictionary,"* will serve to explain the operations connected with foreign bills of exchange:—

"A foreign bill of exchange is an order addressed to a person residing abroad, directing him to pay a determinate sum of foreign money to the person in whose favour it is drawn, or to his order. The amount of foreign money, therefore, to be paid is fixed by the bill; but the amount of British money (or money of the country in which the drawer resides), to be given for the purchase of the bill, is by no means fixed, but is continually varying."

"Of the two terms of comparison between the money of one place and that of another, one is fixed, the other is variable. The place whose money is reckoned at the fixed price is, in commercial language, said to *receive* the variable price; the other is said to *give* the variable price. Hence the higher the exchange between any two places, the more it is in favour of that which receives the variable price; the lower, the more in favour of that which gives the variable price;—the exchange being said to be favourable or unfavourable to any place, according as a smaller or larger amount of the currency of that place is required for discharging a given amount of foreign payments. Thus London receives from Paris a variable number of francs and centimes for 1*l.* sterling; and taking the par at 25 francs 34 centimes for 1*l.*, exchange will be 5 per cent. in favour of London when it rises to 26 francs 62 centimes, and about 5 per cent. against London when it falls to 24 francs 7 centimes."

"Bill merchants study the exchanges, not only between the place at which they reside and all other places, but also between all those other places themselves, by which means they are generally enabled to realize a profit by buying bills in one place and selling them in another;—in this way preventing any great fall in the price of bills in those countries in which the supply exceeds the demand, and any great rise in those countries in which the supply happens to be deficient. Sometimes exchange operations are conducted with little outlay of capital. Thus, if a bill merchant in London can sell a bill on Amsterdam at half per cent. premium, and buy one at Paris at half per cent. discount, and with the latter buy one at Paris on Amsterdam at par, he will have gained 1 per cent.

* A Cyclopædia of Commerce, Mercantile Laws, Finance, Commercial Geography, and Navigation, by William Waterston, Esq.

by the transaction, without the employment of any capital;—the bill remitted from Paris to Amsterdam arriving in time to meet the bill drawn there upon his correspondent. Again, a bill merchant, in order to take advantage of a premium on the exchange, may obtain a credit abroad upon which he may draw bills, under the calculation that at some future and not very distant period he will be able to replace the funds at a lower rate of exchange, and thereby realize a profit by the operation. The central points for such transactions are Hamburgh, Amsterdam, Vienna, Paris, New York, and above all, London, the great money change of the world."

"In this country the buying and selling of bills on foreign countries is conducted by brokers, all such transactions centring in the metropolis. In London the days for the negotiation of foreign bills are Tuesdays and Fridays, the *foreign post days*. The brokers go round to the principal merchants, and discover whether they are buyers or sellers; and a few of the more influential, after ascertaining the state of the market, suggest a price at which the greater part of the transactions are settled, with such deviations as particular bills may be subject to from their high or low credit. For the bills they buy on one post-day, houses of established credit pay on the following post-day, when they receive the second and third bills of the set;—foreign bills being usually drawn in sets of three. The brokerage charged on bills is 1 per mille, or one-tenth per cent.

"On the evenings of Tuesdays and Fridays, the market rates for bills on all the principal foreign cities, with the current prices of bullion, are published in Wetenhall's 'Course of the Exchange.'"

The following are the places to which England gives a *certain* amount of sterling for a variable amount of foreign money:—

		£		Variable according to the Exchanges.		
Amsterdam.....	short	1	for	12	$4\frac{3}{4}$	Florins and Stivers.
Do.	3 months	1	„	12	$7\frac{3}{4}$	do.
Rotterdam	do.	1	„	12	8	do.
Antwerp.....	do.	1	„	26	5	Francs and Cents.
Brussels	do.	1	„	26	5	do.
Hamburgh.....	do.	1	„	13	$14\frac{1}{2}$	Marcs and Schillings.
Paris	short	1	„	25	75	Francs and Cents.
Do.	3 months	1	„	26	2	do.
Marseilles	do.	1	„	26	5	do.
Frankfort	do.	1	„	122	$\frac{1}{8}$	Batzen.
Vienna	do.	1	„	10	11	Florins and Kreusers.
Trieste	do.	1	„	10	12	do.
Leghorn	do.	1	„	30	37	Lire Tosc. and Cent.
Genoa	do.	1	„	26	5	Lire and Centesimi.

The following are the places to which England gives an *uncertain* amount of sterling for a fixed amount of foreign money :—

	Variable according to the Exchanges.			
Madrid	3 months	36 pence	for 1	Dollar of Plate.
Cadiz	do.	36¼ „	„ 1	do.
Naples	do.	40 „	„ 1	Ducat.
Palermo	do.	119½ „	„ 1	Onza.
Messina	do.	120 „	„ 1	do.
Lisbon.....	60 days/d.	54 „	„ 1	Milreis.
Oporto	do.	53½ „	„ 1	do.
Gibraltar.....	do.	48 „	„ 1	Hard Dollar.
Venice	do.	47 „	„ 6	Lire Austriachi.
St. Petersburg ..	do.	38 „	„ 1	Silver Rouble.
Rio Janeiro.....	do.	30 „	„ 1	Milreis.
New York	do.	47½ „	„ 1	United States Dollar.
Calcutta	do.	23 „	„ 1	Company's Rupee.

To ascertain the amount of English money that ought to be received for a foreign bill, divide the amount of the bill by the rate of exchange. Thus suppose the following bill, for 300 francs, were negotiated at the rate of 25 francs 65 cents the pound sterling, then divide 300 by 25·65, and the result will be the amount in English money.

Londres, le 18 *Janvier*, 1849. *B. P. F*cs. 300.

Au vingt Fevrier prochain veuillez payer contre ce Mandat à l'ordre de Messieurs _____ *la somme de trois cents francs valeur en compte que vous passerez de méme avec ou sans avis de*

_____

A Messieurs _____

Banquiers, Paris.

25·65) 300.00 (11
2565
·4350
2565
1785
20
25·65) 35700 (13
2565
10050
7695
2355
12
25·65) 28260 (11
2565
·2610
2565
··45 Answer, 11*l.* 13*s.* 11*d.*

We may observe that all bills are drawn in the money of the country in which they are to be paid.

In the cases referred to in the third paragraph of the above quotation, the calculation is more complicated. To ascertain when it is more advantageous to send money from one country to another through a third country, there must be two "rule-of-three" calculations, instead of one; and if the number of countries is increased, the number of calculations will be increased. But these calculations may be abridged by what is called "the Chain Rule," or "Conjoined Proportion," or "Compound Arbitration." The rule given by arithmeticians is the following:—Place the numbers alternately, beginning at the left hand, and let the last number stand at the left hand. Then multiply the first row continually for a dividend, and the second for a divisor.

Example.—If 12 lbs. at London are equal to 10 lbs. at Amsterdam, and 100 lbs. at Amsterdam are equal to

120 lbs. at Paris, how many lbs. at London are equal to 40 lbs. at Paris?

Left.	Right.		
12 =	10	12 × 100 × 40 = 48000	
100 =	120	10 × 120 = 1200)	48000 (40
40			48000

Answer, 40 lbs.

This rule is capable of two modifications. The example we have given, is when it is required to find how many of the first sort of coin, weight or measure, mentioned in the question, are equal to the last. It may be required to find how many of the last sort of coin, weight or measure, mentioned in the question, are equal to the quantity of the first. In this case, the following is the

Rule.—Place the numbers alternately, beginning at the left hand, and let the last number stand on the right hand. Then multiply the first row for a divisor, and the second for a dividend.

Example.—If 12 lbs. at London make 10 lbs. at Amsterdam, and 100 lbs. at Amsterdam make 120 lbs. at Paris, how many lbs. at Paris are equal to 40 lbs. at London?

Left.	Right.		
12 =	10	12 × 100	= 1200
100 =	120	10 × 120 × 40 =	48,000
40		12000)	48,000 (40
			48000

The above examples will explain the principle of the Chain Rule. The following example, taken from Mr. Waterston, will show its application with regard to the transmission of money.

London and Paris, through Hamburgh.—Find the arbitrated rate between London and Paris when the exchange of London on Hamburgh is 13 marcs 12 schillings banco for 1*l.*; and that of Paris on Hamburgh 184 francs 50 centimes, for 100 marcs banco.

This question comes under the second branch of the rule. It is to ascertain how many francs will be obtained for 1*l.* sterling when sent to Paris by way of Hamburgh; therefore,

£1 = 220 schillings banco = 13 marcs 16 schillings.
Schillings 16 = 1 marc banco.
Marks banco 100 = 18450 cents = 184 francs 50 cents.
Cents 100 = 1 franc.

1 £ =

Then, $1 \times 16 \times 100 \times 100 = 160{,}000$ divisor.
$220 \times 1 \times 18450 \times 1 \times 1 = 4059{,}000$ dividend.

Answer, 25 francs 37 cents.

It will be seen from the above example, that on the right-hand side the marcs, having also fractional parts, have been reduced to schillings, and the francs to cents; and hence it has been necessary to introduce on the left-hand, the number of schillings in a marc, and the number of cents in a franc: 16 = 1, and 100 = 1.

Although in this case the remittance is said to be through Hamburgh, yet in practice the operation would be made by purchasing in London bills on Hamburgh, and remitting those bills to Paris—unless bills on Paris direct could be purchased on more favourable terms.

The calculations which refer to the transmission of gold from one country to another, are very important. To these we will now refer.

In England the precious metals are weighed by the pound Troy. The following is the table:—

24 Grains	make	1 Pennyweight.
20 Pennyweights		1 Ounce.
12 Ounces		1 Pound.

Standard gold is what is called 22 carats fine; that is, 22 parts of pure gold are mixed with 2 parts of alloy. This alloy consists chiefly, we believe, of copper. Our silver coins have 18 pennyweights of alloy in the pound.

A pound weight of gold is coined into 44½ guineas, and in the same proportion for sovereigns. An ounce of standard gold is worth 3*l*. 17*s*. 10½*d*.; being the twelfth part of 46*l*. 14*s*. 6*d*., the value of a pound weight of gold.

A pound weight of silver is coined into 66 shillings; and in the same proportion for crowns, half-crowns, and sixpenny pieces.

The specific gravity of gold is 19·360; that is, it is 19,360 times heavier than distilled water.

The specific gravity of silver is 10·474; that of copper is 8·878.

A cubic foot of distilled water weighs 1,000 ounces, or 62·5 pounds avoirdupois, which is equal to 75·95 pounds troy.

Avoirdupois weight is as follows:—

16 Drachms	make	1 Ounce.
16 Ounces		1 Pound.
28 Pounds		1 Quarter.
4 Quarters		1 Hundred.
20 Hundreds		1 Ton.

1 lb. avoirdupois is equal to 1 lb. 2 oz. 11 dwts. 20 grs. troy.

A pound avoirdupois is to a pound troy as 1750 to 1440.

1 lb. avoirdupois of copper is coined into 24 pence—equal to 240*l*. out of a ton. The old pennies weighed exactly an ounce avoirdupois; so that in buying an ounce of any commodity, a poor man might, if he thought he had short weight, use a penny piece for the weight. For some years past, the penny has been only two-thirds of an ounce.

The amount of gold in circulation, including that in the Bank of England, is variously estimated at from 44,000,000 to 60,000,000. The silver is estimated at 11,000,000, but that includes the coin in the colonies.*

* Commons, 3483—3488.

We often find in the City Article of the *Times*, and sometimes in the *Morning Chronicle* and the *Economist*, paragraphs like the following:—

The premium on gold at Paris is 7 per mille, which, at the English mint price of 3*l.* 17*s.* 10½*d.* per ounce for standard gold, gives an exchange of 25·32½; and the exchange at Paris on London, at short, being 25·25, it follows that gold is 0·30 per cent. dearer in Paris than in London.

By advices from Hamburgh, the price of gold is 435½ per marc, which, at the English mint price of 3*l.* 17*s.* 10½*d.* per ounce for standard gold, gives an exchange of 13·10¼; and the exchange at Hamburgh on London, at short, being 13·10⅝, it follows that gold is 0·17 per cent. dearer in London than in Hamburgh.

The course of exchange at New York on London is 108½ per cent.; and the par of exchange between England and America being 109$\frac{23}{40}$ per cent., it follows that the exchange is 1·08 per cent. against England; but the quoted exchange at New York being for bills at 60 days' sight, the interest must be deducted from the above difference.

The real par of exchange between two countries is that by which an ounce of gold in one country can be replaced by an ounce of gold of equal fineness in the other country. In England, gold is the legal tender, and its price is fixed at 3*l.* 17*s.* 10½*d.* per ounce. In France, silver is the currency, and gold, like other commodities, fluctuates in price according to supply and demand. Usually, it bears a premium or agio. In the above quotation, this premium is stated to be 7 per mille; that is, it would require 1,007 francs in silver to purchase 1,000 francs in gold. At this price the natural exchange, or that at which an ounce of gold in England would purchase an ounce of gold in

France, is 25·32½. But the commercial exchange—that is, the price at which bills on London would sell on the Paris Exchange—is 25 francs 25 cents, showing that gold is 0·30 per cent. dearer in Paris than in London. Tables have been constructed to show the results of each fluctuation in the premium of gold in Paris. In the next section we shall insert a table of this kind with reference not only to Paris, but also to Hamburgh and to Amsterdam.

At Hamburgh, again, the exchange is the other way. The price of a mark of fine gold is 435½ marcs banco, which gives an exchange of 13·10¼ marcs and schillings against the pound sterling. But the commercial exchange is 13·10⅝, which makes a difference of ⅜ of a schilling; and it follows that gold is 0·17 per cent. dearer in London than in Hamburgh.

The Money Table of the United States stands thus:—

10 Milles	make	1 Cent.
10 Cents		1 Dime.
10 Dimes		1 Dollar.
10 Dollars		1 Eagle.

The following regulations were adopted in the year 1834 respecting gold and foreign coins:—

"Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, that the gold coins of the United States shall contain the following quantities of metal; that is to say, each eagle shall contain 232 grains fine gold, and 258 grains standard gold; each half eagle 116 grains fine gold, and 129 grains standard gold; each quarter eagle shall contain 58 grains fine gold, and 64½ grains standard gold; every such eagle shall be of the value of 10 dollars; every such half eagle shall be of the value of 5 dollars; and every such quarter eagle shall be of the value of 2 dollars and 50 cents; and the said gold coins shall be receivable in all payments, when of such weight, according to their said respective values; and when of less than such weight, at less values, proportioned to their respective actual weights."

"Be it enacted, &c. that from and after the 31st day of July next, the following gold coins shall pass current as money within the United

States, and be receivable in all payments, by weight, for the payment of all debts and demands, at the rates following; that is to say, the gold coins of Great Britain, Portugal, and Brazil, of not less than 22 carats* fine, at the rate of 94 cents and 8-10ths of a cent per pennyweight; the gold coins of France, 9-10ths fine, at the rate of 93 cents and 1-10th of a cent per pennyweight; and the gold coins of Spain, Mexico, and Colombia, of the fineness of 20 carats, 3 grains, and 7-16ths of a grain, at the rate of 89 cents and 9-10ths of a cent per pennyweight."

Under the above Acts of Congress the English sovereign was made a legal tender at the rate of $94\frac{8}{10}$ cents per pennyweight. Hence, the full weight of the sovereign being 5 dwts. 3·274 grs., it was made equivalent to 4 dollars and 87 cents; or 487 *dollars equal* 100*l.* But, according to a rule established in 1789, and ever since retained in exchange operations, the par of the dollar is paid at 4*s.* 6*d.* sterling, which gives for 487 dollars 109*l.* 11*s.* 6*d.* The nominal par thus exceeds the real par 9*l.* 11*s.* 6*d.*, or $9\frac{23}{40}$ per cent. In this way, when the exchange is nominally $9\frac{23}{40}$ premium, it is really at par. The above calculations are subject to some slight modifications by an Act of Congress fixing the amount of alloy in both the gold and silver coins at one-tenth; but commercially, the par of exchange between England and America is usually quoted as equal to $109\frac{23}{40}$ per cent.

When we read in the above calculations that gold is so much dearer in one country than the other, we must not infer that gold can therefore be sent thither at a profit. We must take into account the expense of conveyance. It is generally considered that the charges and loss of interest attendant on sending gold to America, do not amount to much less than $2\frac{1}{2}$ per cent.

Before closing this subject we will make some remarks

* This is the usual mode of expressing the fineness of gold. The ounce is divided into 24 carats. If, out of this mass, 2, 3, or 4 parts out of the 24 consist of alloy, the whole is said to be 22, 21, or 20 carats fine.

on our exchanges with India. It has been seen, that with this country we give an uncertain amount of sterling for a fixed amount of foreign money; that is, we give so many pence (say 23 or 24) for a rupee. The lower the exchange, that is, the fewer pence we give for the rupee, the more favourable is the exchange for England. For, the lower the rate, the more favourable is the exchange to that country in whose currency the rate is reckoned.

The following is the Table for East India Money:—

12	Pices	make	1 Anna.
16	Annas		1 Rupee.
100,000	Rupees		1 Lac.
100	Lacs		1 Crore.

Taking the rupee at 2*s.*, a crore of rupees is equal to 1,000,000*l.* sterling. A lac is, of course, 10,000*l.* The figures expressing Indian money are not easily understood by Europeans. The capital of the Bank of Bombay is stated at 52,25,000 rupees, and the capital of the Bank of Bengal at 1,10,13,580 „ 1 „ 7. These figures should be respectively read thus:—Fifty-two lacs, twenty-five thousand rupees—One crore, ten lacs, thirteen thousand five hundred and eighty rupees, one anna, and seven pices.

The East India Company issue in London bills on India. They also discount in India bills drawn on London, taking as collateral security the bills of lading and the policies of insurance of the goods against which the bills are drawn. Their advances are usually to the extent of three-fourths, or sometimes three-fifths, of the estimated value of the goods. The rate of exchange is publicly announced, and undergoes modification from time to time, according as the Company may have occasion to accumulate funds in London or in India.*

* See the Evidence of W. P. Paton, Esq. and J. D. Dickenson, Esq. before the Committee of the House of Commons, on Commercial Distress, 1848.

In making further observations upon the subject of this section, we may observe, that there is often a great facility acquired in performing arithmetical operations by varying the numbers, and especially if we can substitute ten or a hundred for some other number. And sometimes we may change the operation, and use multiplication for addition, or the reverse. Thus, if we have to multiply by 15, we can multiply by 10 by adding a cipher, and then add half the sum. If we have to take three-fifths of a number, we may take the six-tenths. Instead of dividing by 25, we may multiply by 4, and divide by 100; or, instead of multiplying by 25, we may multiply by 100 and divide by 4.

To calculate the interest on large sums at any rate per cent. it is usually best to find the interest at 1 per cent., (as you have only to divide by 100,) and then multiply by the rate per cent.

It is useful sometimes to know how many persons enter a bank in the course of a day, and during what hours the greater number arrive. To do this, set a person in the hall, with a paper marked 9 to 10, 10 to 11, and so on. Then, when a person enters a bank between the hours of 9 and 10 o'clock, he will make a mark like a figure 1. This mark he will repeat as every additional person enters. He will go on in this way all through the day. When the bank closes, he will ascertain by counting the marks how many persons have entered the bank during each hour, and how many altogether. The cashiers should go to dinner during the hour in which the fewest people come to the counter. And if a clerk wants a day's holiday he should fix on the day in which the fewest people enter the bank. It is in this way that a man standing in the street is able to keep a register of the number of omnibuses that may pass him during the day.

Occasionally we find that "calculating boys" have been exhibited who have performed arithmetical operations with wonderful rapidity. In some cases they have explained their mode of doing so. It would appear that they have in their mind a large multiplication table, not ending at 12 times 12, but extending to 50 times 50, or 100 times 100; secondly, they have a great rapidity of finding equivalent numbers by which the questions are more easily worked; and thirdly, they have a great power of memory, by which they can carry on operations in their mind without committing them to paper. They seemed to have these endowments by nature; but they may all, in a degree, be acquired by application. A large multiplication table may be learned by perseverance. A facility of finding equivalent numbers may be acquired by study and practice. And even arithmetical operations may be performed by the memory. Let a person try to work a sum in the rule of three in this way, *in perfect darkness*, and he will find it not so difficult as he would at first imagine. But the facilities thus acquired by application would, of course, be vastly inferior to the endowments exhibited by these "calculating boys." It is remarkable that these boys are not found to retain this wonderful faculty after they are grown to be men.

The various systems of artificial memory profess to teach the art of remembering figures. This is done by turning figures into letters, and then forming a word from those letters, or by associating a symbol with the number, or by adding the letters to the end of the word. Thus, suppose the floor of the room in which you are sitting were divided into nine compartments, and had a figure and letters in each compartment; thus—

1. B. C.	2. D. F.	3. G. H.
4. J. K.	5. L.	6. M. N.
7. P. Q.	8. R. S.	9. T. V.

Now, if you wished to remember the number 29, you might form the word "foot," and the consonants *f* and *t* would give you 29. If you wished to recollect 86, form the word "room." So, if the number were 53, it would be represented by the word "log." The word "book" would represent 17; the word "paper," 778; and "ledger," 5238. The advantage of having two letters to one figure is, that you can more easily form words; for, if one letter will not form a word, the other may. Besides, if you should forget what letter represents any figure, by running over the alphabet you will call it to mind.

We have supposed these numbers and figures placed on the floor. Now stand in the centre of the room, with your face toward the window. Divide the wall before you into the same compartments as the floor, and place over the wall on the ceiling the number 10. You have then before you all the numbers, from 10 to 19 inclusive. Divide the wall on your right hand in the same way, and place over it the number 20. Over the wall behind you place 30; and over the wall at your left hand place 40; and over your head in the centre of the ceiling place the

number 50. You have now a local place for all the numbers, from 1 to 50. And if you wish at any time to recollect any one of these numbers, your memory will be assisted by calling to mind its locality in this room.

You may go farther than this. You may place in each of these fifty squares a symbol; that is, the figure of a tree, a flower, a bird, a beast, a fish, or anything else. For instance:—In the compartments on the floor you may place trees, the name of each tree beginning with the letter belonging to the compartments. The compartments from 10 to 20 may each have a flower. From 20 to 30, a bird. From 30 to 40, a beast; and from 40 to 50, a fish. And then, if you wish to recollect any matter, you may form some fanciful association between it and the symbol.

Dr. Grey's system is different from that we have described. He represents the numerals by the following consonants and vowels:—

1	2	3	4	5	6	7	8	9	0
b	d	t	f	l	s	p	k	n	w
a	e	i	o	u	au	oi	ei	ou	y

Then, to recollect a date, you will alter the termination of the word, and place those letters that correspond with the figures. Thus, he calls Alexander the Great, Alex*ita*, and the last three letters show that he died 331 years before the Christian era. Julius Cæsar is called Juli*os*, showing that he died 46 years before the same period; and Rom*put* shows that Rome was founded 753 years before the Christian era.

These systems of artificial memory have not been found in practice to answer the eulogiums of their professors. Nevertheless, they are occasionally useful in assisting the recollection of figures.

The following questions may be instructive or inte-

resting to those young men who may be disposed to work them :—

When a banker discounts bills having two, three, six, nine, and twelve months to run, charging at the time the discount of 4 per cent., what rate of interest does he obtain on the money actually advanced at these respective dates?

Suppose a banker should lend 100,000*l.* consols at 90, from the 1st of January to the 13th day of February, at 1-16th continuation, and should part with the money at 10,000*l.* a-day in the discount of bills at 2½ per cent., all of which bills should fall due, in equal proportions, on the 10th, 11th, and 12th of February, what would he gain by the transaction?

If a banker buy consols at 90 on the 1st of December, receive the half-yearly dividend on the 8th of January, and sell the consols again at 90 on the 1st of February, what interest per cent. per annum does he receive for his money after deducting the income-tax?

If a Long Annuity (which expires in January, 1860) is bought at 8½ on the 1st day of March, 1849, what rate of interest does it yield after paying the income-tax of sevenpence in the pound on the annuity?

Suppose there were thirty clerks in a bank, the junior had 80*l.* per annum and the senior 500*l.*, and they increased in arithmetical progression; what is the ratio of their increase, and what is the total amount of their salaries?

Suppose you were asked to make an advance on a lease which had twenty years to run, and on which there was a net profit rent of 100*l.* per annum, what advance would you make upon it, calculating its present value at 7 per cent., and taking a margin of one-third its value?

If a bank which has 20*l.* paid up on each share pays a dividend of 6 per cent., how much is that per share?

If a bank gives an annual bonus of 7*s.* per share, on which 10*l.* is paid up, how much is that per cent. per annum?

One ounce of standard gold is worth 3*l.* 17*s.* 10½*d.* A sovereign is worth twenty shillings. What should be its weight?

A pound weight of silver is coined into sixty-six shillings. What are the respective weights of a sixpenny-piece, a shilling, and a half-crown?

A ton weight of copper avoirdupois is coined into 240*l.* in penny-pieces: What is the weight of a halfpenny-piece?

What is the weight of a cubic foot of gold, and into how many sovereigns may it be coined?

What is the weight of a cubic foot of silver, and into how many shillings may it be coined?

What is the weight of a cubic foot of copper, and into how many farthings can it be coined?

A cubic foot of gold will displace a cubic foot of water, but how much water would be displaced by a cube of silver of the same weight?

The gold that came to Solomon in one year was six hundred three score and six talents. Supposing this to be pure gold, how much alloy must be added to reduce it to standard gold, and what then would be the number of talents?—Supposing this standard gold to be taken to the issue department of the Bank of England under the Act of 1844, and bank notes received in exchange at the rate of 3*l.* 17*s.* 9*d.* per ounce, what amount of bank notes would be received, taking the Hebrew talent as equal to 113 lbs. 10 oz. 1 dwt. 10 grs. troy?—Supposing payment of these notes should afterwards be demanded in sovereigns, which are coined at the rate of 3*l.* 17*s.* 10½*d.* per ounce, what would be the total weight of these sovereigns?

Find the arbitrated rate of exchange between London and Amsterdam when the exchange of London on Madrid is 37 pence for one dollar of plate, and that of Amsterdam on Madrid is 100 florins 75 cents. for 40 ducats of plate.

Bar gold in London is 77*s.* 9*d.* per ounce standard: required the arbitrated rate of exchange produced by its export to the United States for coinage, at the rate of $232\frac{1}{6}$ grains of fine gold for the eagle of 10 dollars.

Bar silver in London is 60 pence per ounce standard; in Amsterdam 104½ florins per pond fine; required the arbitrated rate of exchange, the Netherlands pond being equal to 1,000 wigties, and 31·1002 wigties equal to one ounce troy.*

If the premium on gold at Paris is 5½ per mille, and the exchange at Paris on London is 25·27½, how much per cent. is gold dearer in Paris than in London?†

If the price of gold at Hamburgh is 435 per marc, and the exchange at Hamburgh on London is 13·10⅝, how much per cent. is gold dearer in Hamburgh than in London?†

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* The last three questions are taken from Waterston's Manual of Commerce, where the operations are performed.

† See the Table, No. 18, in the next Section.

SECTION XIV.

BANKING DOCUMENTS.

By banking documents, I mean such reports, bonds, deeds, letters, or other writings, as are used in connexion with banking.

I. I shall notice those Documents that are used in the formation of a Joint-stock Bank.

When any persons propose to form a joint-stock bank in any district, they procure the statistical returns of the district; such as the tables of the population—the exports and imports—the duties paid—the returns of the sales in the various markets—and every other information respecting the trade and wealth of the district. If these prove satisfactory, they take notice of the banks already established there, and observe whether they are joint-stock banks or private banks—whether strong or weak—and whether likely to oppose or to join any new establishment. If the existing banks be joint-stock banks, the projectors procure from the stamp-office a list of the shareholders, in order to observe the strength of their proprietary, and whether they reside chiefly in the district.

Having satisfied themselves that a new bank would be successful, the first document drawn up is a prospectus.

This document usually sets forth the great advantage of joint-stock banking to both the public and the shareholders, and then points out the facilities of the district in which the bank is proposed to be established.

Previous to issuing the prospectus, some leading persons in the district are requested to become members of a provisional committee for the formation of the bank, and they obtain the assistance of an influential solicitor, to whose office the applications for shares are usually addressed. The committee then appoint a secretary, or sometimes the office of secretary is filled by the solicitor.

Attached to the prospectus is the form of an application for shares, similar to the following:—

_____ BANKING COMPANY.

HEAD BANK, _____.

Capital, £_____ in _____ Shares, of £_____ each.

APPLICATION FOR SHARES.

To the Provisional Committee of the _____ *Banking Company.*

GENTLEMEN,

I beg to apply for _____ shares in the above bank, upon the conditions of the published prospectus. If the shares be granted, my utmost influence shall be exerted in support of this bank.

I am,

Yours respectfully,

Name .....
Business or profession
Residence.....

As the applications come in, they are entered in a book prepared for the purpose. In the first column is entered the date of the application; then follow the name, profession, and residence of the applicant; then the number of shares applied for, and in a farther column the number of shares granted. After the committee have determined what number of shares to allot to each applicant, letters are addressed to the respective parties in the following forms:—

SIR,

I am instructed by the Provisional Committee of the _____ Banking Company, to inform you, that they have allotted you _____ shares in the Company; and you are requested to pay the sum of _____ upon each share, to _____, where you will receive the certificate.

I am, Sir,
Your most obedient Servant,
A. B. *Secretary.*

SIR,

Your application for _____ shares in the _____ Banking Company has been laid before the Provisional Committee, who regret, that in consequence of the numerous applications, they are unable to comply with your request.

I am, Sir,
Your obedient Servant.
A. B. *Secretary.*

The certificates granted upon receipt of the first payment on the shares are different. Some use the following form:—

_____ BANKING COMPANY.

DEPOSIT CERTIFICATE.

No.

_____ 18

This is to certify, that the bearer hereof has paid the sum of £_____ being the allotment fee of _____ per share upon _____ shares of £_____ each, allotted to him in the capital stock of the above Banking Company.

For the Provisional Committee
of the _____ Banking Company.

_____

Other banks adopt the form of a receipt, thus:—

_____ BANKING COMPANY.

Received of Mr. _____ on account of the above bank, the sum of £_____ being the deposit of _____ per share on his being admitted a holder of _____ shares.

_____ 18

_____

After the sums have been received, a general meeting of the shareholders is called in the following form:—

_____ BANKING COMPANY.

_____ 18

SIR,

I am instructed by the Provisional Committee to inform you, that the first general meeting of the shareholders in the above Banking Company will be held at the _____ on _____ next, for the purpose of submitting a report of their proceedings, electing a board of directors, and adopting resolutions for the immediate constitution of the Company.

The chair will be taken at twelve o'clock.

Lest you should be unable to attend, I annex a form of proxy for voting, the blanks of which you must fill up before it is placed in the hands of a shareholder.

I am, Sir,

Your obedient Servant,

_____ *Secretary.*

PROXY FOR VOTING.

_____ BANKING COMPANY.

I, the undersigned, a shareholder in the above Banking Company for _____ shares, do hereby appoint _____ also a shareholder therein, to vote for me, and on my behalf, at the first general meeting of shareholders, to be held in _____ on _____ instant.

Witness my hand, this _____ day of _____ 18

Name ... .
Residence .....
No. of shares .....

At the general meeting the provisional committee make a report of their proceedings. Resolutions are then passed —1. That the report be received and printed;—2. That certain shareholders then named be appointed directors;—3. That the thanks of the meeting be given to the provisional committee. The bank is now formed, and the government is assumed by the directors. They appoint the manager and other officers; they prepare the deed of

settlement; and they adopt the measures necessary for the commencement of business.

II.—*The Deed of Settlement.*

This is the deed of partnership, which must be signed by all the shareholders. It fixes the name of the bank—the places where business is to be carried on—and the denomination and number of the shares. It regulates the appointment of directors—the qualifications of shareholders—and the mode of holding meetings, transferring shares, and making dividends. It also provides for the winding up of the affairs of the bank, in case it should not be successful. So many joint-stock banks have printed their deeds of settlement, that any new bank would find no difficulty in procuring a copy. All banks now introduce a clause, providing that if one-third or one-fourth of the paid-up capital be lost, the bank shall be dissolved: and generally there is a clause authorizing any alteration of the deed by two successive meetings of the shareholders specially summoned for that purpose.

III.—*Bonds of Security by the Officers.*

The following form may be adopted for a manager:—

Know all men by these presents, that we, *A. B.* of _____ *C. D.* of _____ *E. F.* of _____ and *G. H.*, are held and firmly bound to *W. X.* and *Y. Z.* in the sum of *five thousand* pounds of lawful money of Great Britain, to be paid to the said *W. X.* and *Y. Z.* or their certain attorney, executors, administrators or assigns, for which payment to be well and truly made, we bind ourselves and each of us, and any three, or two of us, and our and each of our heirs, executors, and administrators, and the heirs, executors, and administrators of any three, or two of us jointly, severally, and respectively, firmly by these presents. Sealed with our seals. Dated this _____ day of _____ in the year of our Lord *one thousand eight hundred and*

Whereas the above-bounden *A. B.* has been appointed chief manager of a certain public joint-stock banking company, called the _____ _____, of which company, and for the general purposes thereof,

the above-named *W. X.* and *Y. Z.* have been appointed *trustees.* And it was agreed, that on the appointment of the said to be such manager as aforesaid, he should with sureties enter into a bond to guarantee his fidelity and honest conduct while in the service of the said company. And whereas each of them, the above bounden *C. D., E. F., and G. H.* has, at the request of the said *A. B.* agreed to become surety for him as aforesaid to the extent of *five thousand pounds:* Now the condition of the above-written bond or obligation is, that if the said *A. B.* do and shall from time to time while he shall continue in the service of the said company as the chief manager of the said company, diligently and faithfully serve them, and devote the whole of his time and attention to their business, and give such reasonable attendance at their banking-house, as the directors for the time being of the said company shall from time to time require, and do and shall keep all the secrets of the said company, and inform the said directors of the company for the time being of all such letters, writings, papers, and occurrences whatever as shall from time to time come to his knowledge respecting the said business, and do and shall keep all the cash accounts, ledgers, books, deeds, writings, and papers, belonging or relating to the said concern in a proper and business-like manner, and regularly answer the letters of their correspondents, and do and shall take due care of the monies, securities for money, and property belonging to the said company, or placed in their custody, and do and shall from time to time account for, render, and make over to the directors for the time being of the said company, all such cash, bills, notes, and other securities as shall from time to time come, or without his wilful default might have come to his hands, and shall not embezzle, conceal, or waste, nor permit (as far as in him lies) to be embezzled, concealed, or wasted by others any of the property of the said company, or which shall have been entrusted to their care, and do and shall receive all the customers of the said banking-house with civility, and make up the notes or memorandums of their respective affairs when necessary, and do and shall as far as in him lies cause the clerk or clerks of the said company to give full and due attendance at their said banking-house, and there to conduct and demean himself or themselves diligently and faithfully and in an orderly manner: and also if the said *A. B.* do and shall in all other respects diligently, skilfully, and faithfully demean and conduct himself as the chief manager of the said company: and moreover, if they the said *C. D., E. F.*, and *G. H.*, their heirs, executors, or administrators, or some of them, shall and do well and sufficiently save harmless and keep indemnified the said company and the directors and all other members thereof from and against all losses, costs, charges, and expenses which shall or may happen or come to them for or by reason of any act, deed, matter or thing whatsoever, wilfully and improperly done, or wilfully and improperly omitted to be done by the said *A. B.* in or

during the said service, then the above-written obligation shall be void, but otherwise the same shall be in full force. Provided always, and it is hereby declared, that under the said obligation, the said *C. D.* his heirs, executors, or administrators, shall not be liable to a greater sum in the whole than *two thousand five hundred* pounds, nor the said *E. F.* his heirs, executors, or administrators to a greater sum in the whole than *one thousand five hundred* pounds, nor the said *G. H.* his heirs, executors, or administrators to a greater sum in the whole than *one thousand* pounds. As witness the hands and seals of the said parties.

The following is the form for a clerk :—

Know all men by these presents, that *A. B.*, *C. D.*, and *E. F.* are held and firmly bound to *W. X.* and *Y. Z.*, in the penal sum of *one thousand* pounds of lawful money of Great Britain, to be paid to the said *W. X.* and *Y. Z.*, or their certain attorney, executors, administrators, or assigns, for which payment to be well and truly made, we bind ourselves and each of us, and our and each of our heirs, executors, and administrators, and the heirs, executors, and administrators of any three or two of us jointly, severally, and respectively firmly by these presents. Sealed with our seals. Dated this _____

Whereas the above bounden *A. B.* has been appointed a clerk in a certain public company, called the _____, of which company and for the general purposes thereof the above-named *W. X.* and *Y. Z.* have been appointed trustees. And it was agreed that on the appointment of the said *A. B.* he should with sureties enter into a bond to guarantee his fidelity and honest conduct. And whereas the above bounden *C. D.* and *E. F.* have at the request of the said *A. B.* agreed to become surety for him as aforesaid to the extent of *five hundred* pounds each. Now the conditions of the above-written obligation is, that if the said *A. B.* do and shall, while he shall continue in the service of the said company as such clerk, diligently and faithfully serve them, and devote the whole of his time and attention to their business, and give such reasonable attendance at their office, as the directors or manager for the time being of the said company shall from time to time require; and do and shall keep all the secrets of the said company, and inform the directors of the said company for the time being of all such letters, writings, papers, and occurrences whatsoever, as shall from time to time come to his knowledge respecting the said business; and do and shall from time to time account for and make over to the directors or manager for the time being all such cash, bills, notes, and other securities as shall from time to time come or without his wilful default might have come to his hands, and shall not embezzle, conceal, or waste, nor permit (as far as in him lies) to be embezzled, concealed, or wasted by others, any of the property of

the said company, or which shall have been entrusted to their care. And also if the said *A. B.* do and shall in all other respects diligently, skilfully, and faithfully demean and conduct himself as such clerk of the said company. And moreover, if they the said *C. D.* and *E. F.*, their heirs, executors, and administrators, or some of them shall and do well and sufficiently save harmless and keep indemnified the said company and the directors and all other members thereof from and against all losses, costs, charges, damages, and expenses, which shall or may happen or come to them for or by reason of any act, matter, or thing whatsoever wilfully and improperly done, or wilfully and improperly omitted to be done by the said *A. B.* in or during the said service, then the above-written obligation shall be void, otherwise the same shall be in full force. Provided always, and it is hereby declared, that under the said obligation the said *C. D.*, his heirs, executors, or administrators, shall not be liable to a greater sum in the whole than *five hundred* pounds; nor the said *E. F.* his heirs, executors, or administrators, to a greater sum in the whole than *five hundred* pounds. As witness the hands and seals of the said parties.

IV.—*Declarations of Secrecy.*

The following is the form for the directors and trustees:—

We, the undersigned persons, being respectively the directors and honorary directors, and trustees of the public Joint-stock Company, called _____ do severally declare that we will respectively, faithfully, and impartially discharge the several duties devolving on us as such directors as aforesaid, according to the deed of settlement of the company, bearing date the _____ day of _____ and any laws and regulations that may be made in pursuance thereof. And we do hereby pledge ourselves, and as inviolably as if we had taken our oaths thereto, that we will observe the strictest secrecy on the subject of all transactions of every description of the company, with their customers for the time being, or with any other bodies or persons whatsoever, and on the subject of the accounts of all bodies and individuals from time to time having accounts with the said company. Dated this _____ day of _____ 18____.

The following is the form for the officers:—

Declaration of Secrecy by the Managers and Clerks.

We, the undersigned persons, being respectively managers, accountants, cashiers, tellers and clerks of the _____ Banking Company, do severally declare, that we will respectively, faithfully, honestly, and

impartially discharge the several duties devolving on us as such managers, accountants, cashiers, tellers, and clerks as aforesaid, according to the directions of the directors of the company, and any laws and regulations that may be made by them. And we do hereby severally pledge ourselves, and as inviolably as if we had taken our oaths thereto, that we will observe the strictest secrecy on the subject of all transactions of every description of the company with their customers for the time being, or with any other bodies or persons whatsoever, and on the subject of the state of the accounts of all bodies and individuals from time to time having accounts with the said company. Dated this _____ day of _____ 18___.

V.—*Letters of Guarantee,**

With reference to Advances or to Bills Discounted.

Bill-brokers usually give a letter of guarantee, instead of indorsing the bills they have discounted with the bankers. And sometimes one party will guarantee to the bank the bills discounted for another.

(1.)

To the Directors of the _____ Banking Company.

GENTLEMEN,

In consideration of your paying the cheques of Mr. _____ or otherwise advancing him sums of money, I hereby guarantee the repayment thereof upon demand, to the extent of one thousand pounds.

I am, &c.

(2.)

To the Directors of the _____ Banking Company.

GENTLEMEN,

In consideration of your discounting a bill for £_____ drawn by *A. B.* or *C. D.* dated _____ at _____ months, I hereby guarantee the due payment of the same at maturity.

I am, &c.

(3.)

GENTLEMEN,

In consideration of your discounting the above bills, I hereby guarantee the punctual payment thereof as they respectively fall due.

I am, &c.

---

* There are some excellent remarks on this subject, as well as on other matters connected with practical banking, in "Chapters on Country Banking," by J. R. Rogers. (E. Wilson).

(4.)

GENTLEMEN,

Mr. *John Slender* may have occasion to offer you sundry bills for discount. In consideration of your discounting such of them as you approve of, which I request you to do, I hereby guarantee the punctual payment of such bills when due.

I am, &c.

VI.—*A Form of Letter,*

To be signed by a Party lodging Deeds or other Documents as Security for Advances of Money.

(1.)

To the Directors of the _____ Banking Company.

GENTLEMEN,

I have sent you the title deeds, and other writings, relating to my several freehold and copyhold estates and properties, in or near _____ in the county of _____, and which documents I hereby declare are deposited with you, as a security for all sums of money now or hereafter to become due from me, either solely, or jointly with others, to the said banking company, either upon banking account, or in any other manner howsoever, (including interest, commission, and all other usual banking charges); and I hereby engage, upon request, to execute to you, or to the trustees of the said company, a mortgage of the said tenements and premises, for the better securing the said sum, or sums of money, intended to be hereby secured, such mortgage to contain a power of sale, and all other usual covenants, and to be at my expense.

I am, &c.

(2.)

GENTLEMEN,

Having this day borrowed of you £_____ upon a deposit of the under-mentioned securities, which sum is to be repaid to you with interest at _____ per cent. per annum on the _____ next, I hereby authorize you, in case the said sum of £_____ shall not be repaid as aforesaid, to sell the said securities, or any part thereof, whenever you may think proper so to do, and repay yourselves the sum of £_____ and interest, returning to me the surplus (if any) or holding it for my account; and in the event of any deficiency, I hold myself responsible to you and the survivors of you for the same.

I am, &c.

(3.)

GENTLEMEN,

In consideration of the loans, advances, or discounts which may be made to me, or upon my request by you, I hereby charge all or any

title deeds or other property belonging to me, which I may place or leave in your hands, with the repayment of all such loans, advances, or discounted bills, together with all costs, interest, and charges thereon; and I hereby undertake to make an assignment by way of mortgage, with power of sale, whenever called upon so to do, of the property which I may or shall be entitled to under such title deeds.

I am, &c.

VII.—*Memorandum of Agreement with reference to the Lodgment of Deeds.*

MEMORANDUM, that on the _____ day of _____ in the year of our Lord one thousand eight hundred and forty ____, _____ _____ hath delivered to _____ at their office in _____ in the county of _____ the several title deeds and documents mentioned and comprised in the schedule hereunto annexed, for the purpose of securing to the proprietors in the said banking company for the time being, of whomsoever the same banking company may from time to time consist, all and every sum and sums of money which shall at any time hereafter be due or owing from _____ on the balance of his account current with the said banking company, either for money paid or advanced, or to be paid or advanced, by the said banking company unto the said _____, or at his request, or which shal be secured by any bond or bill of exchange drawn or endorsed by the said _____ or by any promissory note or other contract whatsoever, with interest for the same respectively, from the several times at which they respectively shall be advanced, or at which the said bonds, bills, notes, or other contracts respectively shall become due, and thenceforth until payment thereof respectively after the rate of ____ per centum per annum, with commission and other usual banker's charges, so as the same do not exceed in the whole the sum of £_____

And the said _____ doth hereby promise and agree with and to the said banking company that he the said _____ _____ whenever thereunto required by the said banking company, shall and will effectually convey and assure all and singular the hereditaments and premises comprised in the said deeds and writings unto and to the use of the said banking company, in such manner as shall be lawfully required by them, free from incumbrances; subject nevertheless to redemption on payment by the said _____ of such sum of money as shall be therein expressed to be secured with interest in manner aforesaid. And in the said indenture of mortgage shall be contained all usual clauses and covenants, with power of sale in

case default shall be made in payment of the principal and interest to be thereby secured, or any part thereof. As witness the hand of the said _____ the day and year first above written.

(*The schedule above referred to.*)

VIII.—*Cash Credit Bond.*

Almost every bank that grants cash credits has its own form of bond. I think the following as good as any that I have seen :—

Know all men by these presents, that we, *A. B.* of _____, *C. D.* of _____, and *E. F.* of _____, are jointly and severally held and firmly bound to *W. X.* of _____ and *Y. Z.* of _____ two of the trustees of the society or co-partnership called the _____, in the penal sum of _____ pounds of lawful money of Great Britain and Ireland, to be paid to the said *F. G.* and *H. I.*, or their certain attornies, executors, administrators, and assigns, for which payment, to be well and truly made, we bind ourselves, and each and every of us, and our, and each and every of our heirs, executors, and administrators, jointly, severally, and firmly by these presents. Sealed with our seals. Dated this _____ of _____.

Whereas the above-bound *A. B.* has opened an account with the above-mentioned society or co-partnership, called the _____ at their establishment, at _____, and is desirous of being accommodated by the said society or co-partnership, from time to time, in some one or other of the various modes in which bankers are in the habit of affording accommodation, and to induce the said society or co-partnership to take the said account, and to accommodate him from time to time, in some one or other of the modes aforesaid, the said *A. B.* and the said *C. D.* and *E. F.* as his sureties, have agreed to enter into the above-written bond or obligation with such conditions as hereinafter is expressed.

Now the condition of the above-written bond or obligation is such, that if the said *A. B.*, *C. D.*, and *E. F.*, or some or one of them, or their, or some or one of their heirs, executors, or administrators, do and shall, on the demand in writing, under the hand of any one of the public officers of the said society or co-partnership, called _____, well and truly pay or cause to be paid to the said society or co-partnership, all and every such sum and sums of money as upon the balance of any account current, which now is, or at any time or times hereafter shall be open between the said *A. B.* and the said society or co-partnership, shall or may, from time to time, be due and owing from or by the said *A. B.*, his executors, or administrators, together with all discount, interest,

postage of letters, and commission, according to the usage and course of business, but nevertheless to the extent only of £_____ principal money, exclusive of interest and costs, in case such balance shall exceed the sum; and so that the above-written bond or obligation shall, and may be, a continuing security to the said society or co-partnership to the amount of £_____ principal money, besides such interest and costs as aforesaid, notwithstanding any settlement of account, or other matter or thing whatsoever, then the above-written bond or obligation shall be void; otherwise, the same shall remain in full force and virtue.

Signed, sealed, and delivered
in presence of _____.

The following is the form of cash credit bond used by one of the banks in Scotland. It will be seen that the latter part has a reference to the peculiar law of Scotland, and hence it is not adapted for the use of banks established in England:—

We, *A. B.*, *C. D.*, and *E. F.*, considering that the directors of the banking company, established in Edinburgh, under the title of the _____, have agreed to allow us credit upon a current account, to be kept in the name of the said *A. B.*, in the books of the said bank at its branch office in _____, or at such other office or offices of the said bank as the directors thereof may from time to time appoint, to the extent of _____ pounds sterling, upon granting these presents; therefore, we, the said *A. B.*, *C. D.*, and *E. F.*, hereby bind and oblige ourselves conjointly and severally, and our heirs, executors, and successors whomsoever, to content and pay to the said _____, or to _____, the present manager of the said bank, or to his successors in office as manager, for behoof of the said bank, and the whole partners therein, or to the assignees of the said bank, or of its said manager, or his foresaid, the aforesaid sum of *five hundred* pounds, or such part or parts thereof as the said *A. B.* shall receive or draw out by orders or drafts on the said bank, in virtue of the aforesaid credit, and also such sum or sums of money as the said bank or its said manager shall stand engaged for on account of me the said *A. B.*, by accepted or discounted bills, letters of credit, guarantees, or in any other manner of way not exceeding in all the said sum of *five hundred* pounds, over and above what of the proper cash of me, the said *A. B.*, may happen to be lodged on the said cash account; and that at any time when the same shall be demanded, after six months from the date hereof, with the legal interest thereof from the time of advance, until the same be repaid, and a fifth part more of the said principal sum of penalty, in case of failure or

proportionally effeiring to the sum due, and it is hereby declared, that a stated account, made out from the books of the said bank, and signed by the manager, secretary, or accountant thereof, for the time with reference to this present bond, shall be sufficient without any other voucher to constitute and ascertain a balance and change against us, and no suspension shall pass upon the change so constituted and ascertained, but on consignation only. And we consent to the registration hereof, in the books of council and session, for others competent, that letters of horning, on six days' change and all other necessary execution, may pass upon a decree, to be interposed hereto, in common form, and for that purpose we constitute our Procurators _____.

In witness whereof, the present written upon stamped paper by _____.

IX.—*Letters of Credit,*

Granted by the Bank upon its Agents or Branches.

(1.)

_____ BANKING COMPANY.

To _____

SIR,

There has this day been lodged at this office by _____ the sum of _____ for the credit of _____ whose drafts to that amount you will honour, and charge the same to the account of the _____ Banking Company.

I am, SIR,

Your obedient Servant,

£ _____ *Manager.*

Entered _____ *Accountant.*

(2.)

_____ BANKING COMPANY.

No.

To _____

(Not Transferable.)

SIR,

You will be pleased to credit _____ in the sum of _____ and charge the same to the account of the _____ Banking Company, with this branch.

I am, SIR,

Your obedient Servant,

_____ *Manager.*

£

Entered _____ *Accountant.*

(3.)

_____ BANKING COMPANY.

Messrs. _____

Paris. _____ 18___

GENTLEMEN,

This letter will be presented to you by _____ to whom you will be pleased to pay to the extent of _____ deducting your charges, and taking for your reimbursement his drafts on this bank, which will meet with due honour.

I am, &c.

_____

(4.)

Messrs. _____

New York.

This letter will be presented to you by Mr. _____, in whose favour we beg to establish a credit for _____ pounds sterling. You will please hold this sum, or any part thereof at his disposal, less your usual charges, and take in exchange his drafts upon this bank, which will be duly honoured. It is understood that this credit is to be available for one year from this date, at which period if Mr. _____ has not made use of it, you will consider it cancelled. We shall forward you, in our next letter, the signature of Mr. _____, to which we refer.

I am, &c.

_____

X.—*Deposit Receipts.*

These are receipts for money, upon which the bank allows interest. The following form may be used:

_____ BANKING COMPANY.

_____ 18___

No. £_____

Received from _____ the sum of _____ sterling to the credit of his deposit account with the _____ Banking Company.

By Order of the Board of Directors.

Entered _____ *Accountant.* _____ *Manager.*

The following form is a much better one, but, unfortunately it is illegal. According to law, we cannot intro-

duce the rate of interest allowed, nor the notice required, unless the receipt be stamped. It may be hoped, that in the next Stamp Act, the Chancellor of the Exchequer will introduce a clause permitting the use of such receipts as the following. It is used by a highly respectable bank in one of the Midland Counties :—

_____ BANKING COMPANY.

No. _____ 18___

Received from _____ the sum of _____ for which we are accountable with interest at the rate of _____ per cent. per annum, on receiving _____ days' notice. Interest to cease from day of notice.

For the Directors and Proprietors of the _____ Banking Company.

£ _____ *Manager.*

No interest allowed unless the money remains three months.

XI.—*Requisition Notes.*

These are notes or memorandums which are used by some banks to enable their customers to state with less trouble what they require, and to specify the cash they pay into the bank. They are usually placed on the counter, to be ready when wanted. The following are the forms most in use :—

(1.)

REQUISITION NOTE.

To be filled up by Parties desiring Receipts for Money deposited, Letters of Credit, or Bills on _____

day of _____, 18	**Specification of Money presented to the Cashier.**
Wanted from the _____ Banking Company	
the Manager's _____	
in favour of _____	
for the sum of _____	
_____ *Applicant.*	
Entered £_____	

(2.)

LETTER OF CREDIT.

Specification of Money.			
Bank of England Notes			
Gold			
Silver and Copper			
Local Notes.....			
Bills			
£			

_____ 18____

Wanted, the _____ Banking Company's Letter of Credit on _____ in favour of _____ for _____

_____ *Applicant.*

£

Entered to Credit of _____

(3.)

PAYMENT TO CREDIT OF CURRENT ACCOUNT.

Specification of Money.			
Bank of England Notes			
Gold			
Silver and Copper			
Local Notes.....			
Bills			
£			

_____ 18____

Paid to the _____ Banking Company, the sum of _____ to be placed to the credit of _____ in current account with said bank.

By _____

Entered in the Bank's Cash Book, £_____ *Teller.*

(4.)

APPLICATION FOR ACCOUNT.

Names of Persons composing the Firm.

Firm ..... _____
Business ..... _____
Residence ..... _____

_____

_____

Probable return.....£
Advance required .....£
Security proposed .....
Order of the Board per Minute, dated _____ 18

_____

(5.)

BILLS DISCOUNTED

By the _____ *Banking Company at* _____

to _____ *on* _____ 18____

No.	Where Payable.	Postage.	When Payable.	Days.	Amount of Bill.	Discount	Proceeds.

XII.—*A Letter*

Summoning a General Meeting of the Shareholders.

_____ BANKING COMPANY.

_____ 18____

SIR,

I beg leave to inform you that the Annual General Meeting of the Proprietors of this Company, pursuant to the deed of settlement, will be held at twelve o'clock on _____ instant, at the _____ in this place, for the purpose of electing Directors, and for the despatch of other business.

A list of all the Proprietors qualified for the direction by holding fifty shares and upwards, is annexed.

I am, SIR,

Your obedient Servant,

_____ *Manager.*

Most large banks have also a printed form for their letters of ordinary correspondence, as the following:—

SIR,

I beg to acknowledge the receipt of your favour of the _____ enclosing sundries £_____ and undue bills _____ £_____ for the credit of your account. Your advices have due attention.

You are credited for the following _____ sums received.

I am, Sir,

Your most obedient servant,

_____

XIII.—*Special Contracts.*

Those joint-stock banks that are not formed under the Act 7th Geo. IV. cap. 46, sue and are sued in the names of their trustees.* And to enable them to do so, those parties who open accounts with the bank enter into a special contract. This may be done by a letter addressed to the trustees personally, in a form similar to the following :—

To A. B., C. D., and E. F.

_____ 18__

GENTLEMEN,

You engaging that the _____ Banking Company shall pay to me whatever sums may be due to me on my current or other accounts with it, I hereby agree, as a separate contract with you, to pay to you or the survivors of you, after demand, the balance, if any, which shall at any time hereafter be due by me to the said Banking Company on those accounts or otherwise.

I am, GENTLEMEN,

Your obedient Servant,

XIV.—*Notices of Calls for further Payment on Shares.*

_____ BANKING COMPANY.

_____ 18____

SIR,

I beg to inform you that the Board of Directors of this Company, agreeably to the powers contained in clause No. ___ of the deed of constitution of the Company, have made a third call of £_____ per share on each of the shares in the Company, and that the same will become payable on the ____ of _____ next.

The certificate for your share is at _____, and will be delivered to you on payment of £____, and in exchange for that now in your possession.

You will please to take notice, that all payments for calls must be made free of postage, and in cash, on or before the ____ of _____, otherwise they will not be received except with interest at the rate of 5 per cent. per annum from that date.

I am, SIR,

Your most obedient Servant,

_____ *Manager.*

---

* These banks obtained in 1844 the power of suing and being sued in the names of their registered public officers.

XV.—*Certificates of Shareholders.*

Some banks exchange the old certificates for new ones after every call. Others do not grant new certificates; and some do not issue certificates at all, unless a party requests to have some evidence that he is a shareholder.

_____ BANKING COMPANY.

CENTRAL BANK _____

This is to certify that Mr. _____ of _____ is a proprietor of _____ shares in the capital stock of the _____ Banking Company, on which _____ per share has been paid. And as the proprietor thereof, he is entitled to all benefits and emoluments arising from such shares, agreeably to the deed of settlement of the company, dated the _____ day of _____ 18___.

As witness our hand this _____ day of _____ one thousand eight hundred and

No.

_____ } *Two of the Directors*
_____ } *of the Company.*

Registered _____

XVI.—*Deed of Transfer.*

This deed is executed by the buyer and seller of any shares in the bank, after the directors have given their consent to the transfer. The following is the form of this instrument:—

This Indenture, made the _____ day of _____ 18___, between _____ of _____ of the first part; _____ of _____ of the second part; and _____ of the City of _____, trustees (appointed by the board of directors of the _____ Banking Company) of the covenant hereinafter contained, of the third part.

Whereas the said _____ has become the purchaser, with the approbation of the said board of direction, of _____ share in the capital of the said company: on each of which shares the sum of _____ pounds still remains unpaid.

Now this indenture witnesseth, that in consideration of the sum of _____ at or before the sealing and delivery of these presents paid by the said _____ to the said _____ the

receipt of which said sum of _____ the said _____ doth hereby acknowledge, and from the same and every part thereof, doth release and for ever discharge the said _____ his heirs, executors, administrators, and assigns: the said _____ hath bargained, sold, and assigned, and by these presents doth bargain, sell, and assign unto the said _____ his executors, administrators, and assigns, all those the said shares of his the said _____ in the capital of the _____ Banking Company, and all benefits, advantages, powers, and privileges attending the same; to have, hold, receive, and take, the said shares hereby assigned, and the said benefits, advantages, powers, and privileges attending the same, unto the said _____ his executors, administrators, and assigns, for his and their own use and benefit.

And the said _____ doth hereby, for himself, his heirs, executors, and administrators, covenant, promise, and agree, with and to the said _____ and _____ their executors, and administrators, that in respect of the share hereby assigned, and all and every other share and shares which the said _____ may hereafter purchase in the capital of the said company, he, the said _____ his heirs, executors, or administrators, shall and will, well and truly, in all respects, observe, perform, and keep, all and singular the covenants, agreements, and provisions, contained in the deed of settlement of the said company, bearing date the _____ day of _____ 183___, so far as the same ought on his or their parts to be observed, performed, and kept.

In witness whereof, the said parties to these presents have hereunto set their hands and seals, the day and year first above-written.

Witness to the identity and signature of _____ } _____
_____

Signed, sealed, and delivered by _____ }
In the presence of _____ } _____

MEMORANDUM.

It is needful that this document should be completed and left at the office of the company without delay, when a certificate of the shares will be given to the purchaser, into whose name the shares cannot be placed until this regulation is complied with.

XVII.—*Circular Notes, issued by the London and Westminster Bank.*

LONDON AND WESTMINSTER BANK.

No. _____ LETTRE DE CREDIT CIRCULAIRE pour £_____ Sterls.

à Messieurs, les Banquiers, designés dans nos Lettres d'Indication. *Londres, ce* _____ 18

MESSIEURS,

Cette lettre vous sera remise par M. _____ dont vous trouverez la signature dans notre Lettre d'Indication susdite. Je vous prie de vouloir bien lui compter sans frais quelconques, la valeur de _____ Livres Sterlins, au cours à Usance sur Londres contre sa traite ci-jointe sur cette Banque.

J'ai l'honneur d'être,

Messieurs,

Votre très obeissant Serviteur,

_____ *Secrétaire.* _____ *Gérant.*

On the other side:—

LONDON AND WESTMINSTER BANK.

£_____ *London,* _____

A sept jours de vue préfix payez à l'ordre de M. _____

_____ Livres Sterlins valeur recue.

à _____

ce _____ 184___

These Circular Notes are accompanied by the following Letter of Indication:—

LETTRE D'INDICATION.

LONDON AND WESTMINSTER BANK.

Londres, ce _____ 18___.

MESSIEURS,

Le porteur de cette Lettre, M. _____ pour lequel nous réclamons vos attentions, est muni de nos Billets de Change Circulaires pour son voyage. Nous vous prions de lui en fournir la valeur sur son double acquit au cours du change à usance sur notre place, et sans déductions de frais, d'après nos instructions.

Si la ville où il en touchera le montant n'a pas de change direct sur Londres, vous voudrez bien en combiner un avec la place cambiste la plus voisine.

Vous observerez que tout Agio sur espèces d'or, ou d'argent, et tous

frais extraordinaires dans le cas d'un remboursement indirect, doivent être supportés par le porteur, et ne peuvent être à notre charge.

Cette Lettre devant accompagner nos Billets Circulaires doit rester dans les mains de leur porteur jusqu'à leur épuisement.

Nous avons l'honneur d'être,

Messieurs,

Vos très humbles et très

obéissants Serviteurs,

_____ *Gérant.*

_____ *Secrétaire.*

Villes.	*Correspondans.*
Abbeville,	MM. Gavelle & Cie.
Aix la Chapelle	. Oeder & Cie.
Do.	Charlier & Schiebler.
Aix en Provence,	Guitton Talamel.
Aleppo	Wm. & Robert Black & Co.
Alexandrie	. . . . Briggs & Cie.
Amiens	. . . . Grimaux & Codeville.
Amsterdam	. . . . Hope & Cie.
Ancone	. . . . . G. Terni & Fils.
Anvers	. . . . . Osy & Cie.
Athènes	. . . . . F. Strong.
Augsbourg	. . . . P. de Stettin.
Avignon	. . . . . Thomas Frères.
Avranches	. . . . F. Hullin.
Baden Baden	. . F. S. Meyer.
Do.	. . . . . Augustus Klose.
Bagnères de Bigorré	. . . Villeneuve & Cie.
Barcelone	. . . Gerona, Frères Clavé & Cie.
Barèges	. . . . . Villeneuve & Cie.
Basle	. . . . . Vischer & Fils.
Bayonne	. . . . . Capt. Graham.
Beirout	. . . . Wm. & Robert Black & Co.
Bergen	. . . . . A. Grieg & Fils.
Berlin	. . . . . Les Frères Schickler.
Berne	. . . . . Marcuard & Cie.

Villes.	*Correspondans.*
Besançon,	MM. Jacquard & Cie.
Blois	. . . . . A. Bruère.
Bologne en Italie,	F. Perotti.
Bonn	. . . . . Jonas Cahn.
Bordeaux	. . . Barton & Guestier.
Boulogne *S/M.*	Alexandre Adam & Cie.
Bremen	. . . . . H. Schroder Fils.
Breslaw	. . . . . Eichhorn & Cie.
Bruges	. . . . . F. Du Jardin.
Brunswick	. . Frères Lobbecke & Cie.
Brünn	. . . . . J. Herring.
Bruxelles	. . . F. Brugmann & Fils.
Cadiz	. . . . . Lonergan Frères & Cie.
Caen	. . . . . E. Guilberr & Cie.
Cairo	. . . . . Briggs & Cie.
Calais	. . . . . P. Devôt & Cie.
Cambray	. . . . . N. Boniface & Fils.
Carlsbad	. . . . . B. Gottl & Fils.
Carlsruhe	. . . . . Augustus Klose.
Cassel, (Hesse)	. L. Feidel.
Cette	. . . . . F. Durand & Fils.
Chambery	. . . Ve. Python & Genoud Fils, ainé.
Cherbourg	. . . . Mauger Frères.
Civita Vecchia	John Thomas Lowe, jun.
Coblentz	. . . . . F. H. Kehrmann.

Villes.	*Correspondans.*
Cobourg .	MM. Schraidt & Cie.
Cologne	J. D. Herstatt.
Constance	Macaire & Cie.
Constantinople	Chas. S. Hanson & Cie.
Copenhagen . . .	Frolich & Cie.
Corfu	J. Courage.
Damascus	G. H. Gibb & Cie.
Dantzig	Gibsone & Cie.
Darmstadt	J. A. Zoeppritz.
Dieppe	Quenouille ainé.
Dijon	Drevon & Marion.
Dresde	M. Kaskel.
Dunkirk	Charles Carlier.
Dusseldorf	G. Cleff.
Elberfeld . . .	Vonder Heydt Kersten & Fils.
Elsineur	N. & C. Fenwick.
Emms	Deinhard & Jordan.
Florence . . .	Plowden & French.
Frankfort *S/M.*	Gogel, Koch & Cie.
Do.	M. A. de Rothschild & Sons.
Gand	Bank of Flanders.
Gènes	Gibbs & Co.
Genève	Lombard, Odier & Cie.
Gibraltar	Archbold & Cie.
Gottingen	L. & P. Benfey.
Grafenburg .	Arnstein & Eskeles.
Hague	Scheurleer & Fils.
Hambourg	S. Heine.
Hanovre	L. & A. H. Cohen.
Havre	— Dubois & Cie.
Do.	Etienne Troteux.
Heidelberg	C. A. Fries.
Inspruck	Louis J. Mayer.
Interlachen. . . .	Isidor Jackowski.
Jerusalem	W. T. Young.

Villes.	*Correspondans.*
Kissingen,	MM. Frères Bolzano.
Konigsberg . . .	C. L. Andersch.
Lausanne	Chas. Bugnion.
Leipsig	M. Kaskel.
Do.	Frège & Cie.
Liège.	M. J. Vercour & Cie.
Lille	Rouzé Mathon.
Linz	J. M. Scheibenpogen Eidam.
Lisbonne	H. G. Scholtz.
Livourne	W. Macbean & Cie.
Lubec	Frères Muller.
Lucerne	F. Knoerr & Fils.
Lucques	F. Petri.
Do. Bains de	Plowden & French.
Lyons	Ve. Guerin & Fils.
Madeira	Murdock, Shortridge & Cie.
Madrid	H. O. Shea & Cie.
Malaga	John Giro.
Malta	Jas. Bell & Cie.
Manheim	J. G. Reinhardt.
Marienbad	Bernard Gottl.
Marseilles . .	Salavy, Père, Fils & Cie.
Mayence	Fred. Korn.
Memel	
Messina	Cailler & Cie.
Metz	
Milan	Carli di Tommaso & Cie.
Montpellier . . .	F. Durand & Fils.
Moscow	J. L. Burckhardt.
Munich	A. E. D'Eichthal.
Nancy	Elie Baille.
Nantes	P. Ciret & Cie.
Naples	W. J. Turner & Co.
Do.	C. M. de Rothschild & Sons.
Neufchatel	F. Henri Nicolas.
New York	J. G. King & Sons.

Villes.	*Correspondans.*
Nice	MM. E. Carlone & Cie.
Nismes	Vincens Devillas & Cie.
Nuremberg	Leonard Kalb.
Odessa	E. Mahs & Cie.
Oporto	Burmester & Co.
Orleans	Daquêt ainé & Cie.
Ostend	F. A. Belleroche.
Palermo	G. Wood & Cie.
Paris	Callaghan & Fils.
Paris	De Rothschild Frères.
Parma	L. Laurent.
Pau	Merillon ainé.
Perpignan	F. Durand.
Pesth	C. J. Malvieux.
Pisa	F. Peverada.
Prague	C. A. Feidler & Fils.
Presbourg	Arnstein & Eskeles.
Rastadt	F. S. Meyer.
Ratisbonne	G. W. Henle.
Rennes	C. Le Ray.
Rheims	Ruinart, Père & Fils.
Riga	
Rome	Torlonia & Cie.
Do.	Plowden, Cholmeley & Co.
Rouen	J. Faucon.
Rotterdam	D. & C. Blankenheym.
Salzbourg	— Spath, jne.
Schaffhouse	Frey & Fils.
Schwalbach	M. Berle.
Seville	MM. Cahill, White & Cie.
Smyrna	Lee & Fils.
St. Gall	J. J. Mayer Fils.
St. Malo	P. Fontan.
St. Omer	A. Caffieri.
St. Petersburg	Cayley, Moberly & Cie.
Spa	J. F. Hayémal.
Stockholm	Tottie & Arfwedson.
Stuttgard	Les Fils de G. H. Keller.
Strasbourg	Renouard de Bussière.
Tarbes	Villeneuve & Cie.
Toplitz	Emanuel Mayer.
Toulon	
Toulouse	J. Cassaing & Co.
Tours	Gouin Frères.
Treves	Reverchon & Cie.
Trieste	J. Collioud.
Turin	Nigra Frères.
Valenciennes	G. Serret & Cie.
Venice	Schielin Frères.
Verona	J. Smania.
Vevey	P. Genton & Cie.
Vienne	Arnstein & Eskeles.
Utrecht	Vlaer & Kol.
Warsaw	S. A. Fraenkel.
Weimar	J. Elkan.
Wiesbaden	M. Berle.
Wurzbourg	G. Ochninger.
Zurich	Gaspard Schulthéss & Co.

XVIII.—*A Table, showing the Relative Value of Gold in London (at the Mint Price of* 3*l.* 17*s.* 10½*d. per Ounce Standard), and in the Cities of*

PARIS.						HAMBURGH.						AMSTERDAM.					
Premium. Per mille.		Fcs.	Cts.	Cents. In the £.		Per cent.	Price per marc fine. Marcs.		Mcs.	Sch.	Sch. In the £.		Per cent.	Premium, Per cent.		Flor.	Cts.	Cents.		Per cent.
0	...	25	14½	¼	...	·01	430	...	13	7½	⅛	...	·06	13	...	11	93½	¼	...	·02
½	...	,,	15¾	½	...	·02	¼	...	,,	⅝	¼	...	·11	⅛	...	,,	94¾	½	...	·04
1	...	,,	17	¾	...	·03	½	...	,,	¾	⅜	...	·17	¼	...	,,	96	¾	...	·06
1½	...	,,	18¼	1	...	·04	¾	...	,,	⅞	½	...	·23	⅜	...	,,	97½	1	...	·08
2	...	,,	19½	2	...	·08	431	...	13	8	⅝	...	·29	½	...	,,	98¾	2	...	·17
2½	...	,,	20¾	3	...	·12	¼	...	,,	⅛	¾	...	·34	⅝	...	12		3	...	·25
3	...	,,	22	4	...	·16	½	...	,,	¼	⅞	...	·40	¾	...	,,	01½	4	...	·33
3½	...	,,	23¼	5	...	·20	¾	...	,,	⅜	1	...	·46	⅞	...	,,	02¾	5	...	·42
4	...	,,	24½	6	...	·24	432	...	,,	½	2	...	·92	14	...	,,	04	6	...	·50
4½	...	,,	25¾	7	...	·28	¼	...	,,	⅝	3	...	1·38	⅛	...	,,	05½	7	...	·58
5	...	,,	27	8	...	·32	½	...	,,	¾	4	...	1·84	¼	...	,,	06¾	8	...	·67
5½	...	,,	28¼	9	...	·36	¾	...	,,	⅞	5	...	2 30	⅜	...	,,	08	9	...	·75
6	...	,,	29½	10	...	·40	433	...	13	9	6	...	2·76	½	...	,,	09¼	10	...	·83
6½	...	,,	30¾	11	...	·44	¼	...	,,	⅛				⅝	...	,,	10½	11	...	·92
7	...	,,	32¼	12	...	·48	½	...	,,	¼				¾	...	,,	12	12	...	1·
7½	...	,,	33½	13	...	·52	¾	...	,,	⅜				⅞	...	,,	13¼	13	...	1·08
8	...	,,	34½	14	...	·56	434	...	,,	½				15	...	,,	14½	14	...	1·17
8½	...	,,	36	15	...	·60	¼	...	,,	⅝				⅛	...	,,	16	15	...	1·25
9	...	,,	37¼	16	...	·64	½	...	,,	¾				¼	...	,,	17¼	16	...	1·33
9½	...	,,	38½	17	...	·68	¾	...	,,	⅞				⅜	...	,,	18½	17	...	1·42
10	...	,,	39¾	18	...	·72	435	...	13	10				½	...	,,	20	18	...	1·50
10½	...	,,	41	19	...	·76	¼	...	,,	⅛				⅝	...	,,	21¼	19	...	1·58
11	...	,,	42¼	20	...	·80	½	...	,,	¼				¾	...	,,	22½	20	...	1·67
11½	...	,,	43½	21	...	·84	¾	...	,,	⅜				⅞	...	,,	23¾	21	...	1·75
12	...	,,	44¾	22	...	·88	436	...	,,	½				16	...	,,	25¼	22	...	1·83
12½	...	,,	46	23	...	·92	¼	...	,,	⅝								23	...	1·92
13	...	,,	47¼	24	...	·96	½	...	,,	¾								24	...	2·
13½	...	,,	48½	25	...	1·	¾	...	,,	⅞								25	...	2·08
14	...	,,	49¾	26	...	1·04	437	...	13	11								26	...	2·17
14½	...	,,	51	27	...	1·08	¼	...	,,	⅛								27	...	2·25
15	...	,,	52¼	28	...	1·12	½	...	,,	¼								28	...	2·33
15½	...	,,	53½	29	...	1·16	¾	...	,,	⅜								29	...	2·42
16	...	,,	54¾	30	...	1·20	438	...	,,	½								30	...	2·50
16½	...	,,	56	31	...	1·24	¼	...	,,	⅝										
17	...	,,	57¼	32	...	1·28	½	...	,,	¾										
17½	...	,,	58½	33	...	1·32	¾	...	,,	⅞										
18	...	,,	59¾	34	...	1·36	439	...	13	12										
18½	...	,,	61	35	...	1·40	¼	...	,,	⅛										
19	...	,,	62¼	36	...	1·44	½	...	,,	¼										
19½	...	,,	63½	37	...	1·48	¾	...	,,	⅜										
20	...	,,	64¾	38	...	1·52	440	...	,,	½										
20½	...	,,	66	39	...	1·56														
21	...	,,	67¼	40	...	1·60														
21½	...	,,	68½																	
22	...	,,	69¾																	
22½	...	,,	71																	
23	...	,,	72¼																	
23½	...	,,	73½																	
24	...	,,	74¾																	
24½	...	,,	76																	
25	...	,,	77½																	

METHOD OF USE.—(For example, take Paris.) – Ascertain the premium on gold at Paris—say 9 per mille; in the left-hand column, against 9, will be found the rate of exchange per pound sterling produced francs 25·37¼. From that rate, deduct the exchange on London at short—say francs 25·27½, leaving a remainder of 9¾ centimes per pound sterling. In the second column, it will be found that 9¾ centimes in the pound sterling are equal to ·39 per cent.; consequently, gold is ·39 per cent. dearer in Paris than in London.

NOTE.—If the rate of exchange produced by gold in Paris be lower than the exchange at short on London, gold will be dearer in London than in Paris.

XIX.—*A Table of English Money* reduced into*

	PRUSSIAN COIN. At 6 th. 20 sg.			FRANKFORT COIN. 11 gul. 54 kr.			DUTCH COIN. 12 guild.		FRENCH COIN. 25 fr. 10 cts.	
£	s.	d.	Tha.	Sg.	Pf.	Gul.	Kr.	Ha	Gld.	Cts.	Fr.	Cts.
...	...	1	...	...	10	...	3	...	...	05	...	10
...	...	2	...	1	8	...	6	...	...	10	...	20
...	...	3	...	2	6	...	9	...	...	15	...	31
...	...	6	...	5	...	...	17	...	...	30	...	62
...	1	...	...	10	...	...	35	...	...	60	1	25
...	2	...	...	20	...	1	11	...	1	20	2	51
...	3	...	1	...	...	1	47	...	1	80	3	76
...	4	...	1	10	...	2	22	...	2	40	5	02
...	5	...	1	20	...	2	58	...	3	...	6	27
...	10	...	3	10	...	5	57	...	6	...	12	55
...	15	...	5	...	...	8	55	...	9	...	18	82
1	...	...	6	20	...	11	54	...	12	...	25	10
2	...	...	13	10	...	23	48	...	24	...	50	20
3	...	...	20	...	...	35	42	...	36	...	75	30
4	...	...	26	20	...	47	36	...	48	...	100	40
5	...	...	33	10	...	59	30	...	60	...	125	50
6	...	...	40	...	...	71	24	...	72	...	150	60
7	...	...	46	20	...	83	18	...	84	...	175	70
8	...	...	53	10	...	95	12	...	96	...	200	80
9	...	...	60	...	...	107	06	...	108	...	225	90
10	...	...	66	20	...	119	...	...	120	...	251	...
20	...	...	133	10	...	238	...	...	240	...	502	...
30	...	...	200	...	...	357	...	...	360	...	753	...
40	...	...	266	20	...	476	...	...	480	...	1004	...
50	...	...	333	10	...	595	...	...	600	...	1255	...
60	...	...	400	...	...	714	...	...	720	...	1506	...
70	...	...	466	20	...	833	...	...	840	...	1757	...
80	...	...	533	10	...	952	...	...	960	...	2008	...

PRUSSIAN COIN.—Thaler, Silbergrossch, and Pfenning.

1 thaler = 30 silbgr. 1 silb. = 12 pfennings.

FRANKFORT.—Gulders, Kreutzers, and Hellers.

1 gulder = 60 kreutz. 1 kreutz. = 4 hell.

DUTCH.—Guilders and Cents.

1 guild. = 100 cents.

BELGIUM AND FRANCE.—Francs and Centimes.

1 franc = 100 centimes.

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* For an account of the Silver and Gold Coins of different Countries, and their Sterling Value, see the New London Mercantile Directory, for 1849.

Value at which the following Coins are generally current.

	Prussia.		Frankfort.		Holland.		Belgium and France.	
	Th	*Sg.*	*Gul.*	*Kr.*	*Guil.*	*Cent.*	*Fr.*	*Cent.*
Sovereign	6	20	11	50	12	...	25	...
English Shilling	...	10	...	35	...	58	1	20
Dutch 10-guilder-piece .	5	20	9	54	10	...	21	16
Ducat	3	4	5	30	5	60	11	60
Guilder	...	17	...	58	1	...	2	11
Fred. d'Or	5	20	9	44	9	80	21	...
Prussian Thaler	1	...	1	45	1	70	3	70
French Crown Thaler . .	1	16	2	44	...	...	...	...
Braband ditto	1	16	2	42	2	65	...	...
Convention ditto	1	10	2	24	...	...	...	...
Piece of 20 Kreutzers .	...	6	...	24	...	...	...	...
20-franc Piece	5	12	9	30	9	54	20	...
5-franc ditto	1	10	2	20	2	35	5	...
1-franc ditto	...	8	...	28	...	48	1	...

The above table has been circulated by the General Steam Navigation Company. On this subject I would refer to Mr. Waterston's "Manual of Commerce: being a Compendium of Mercantile Tables, British and Foreign Monies, Weights, and Measures, and the Theory and Practice of Exchange." (Simpkin, Marshall & Co.) We think also this is a proper place to introduce the following account of the origin of English Coins:—

"Pound.—Though a pound is one of the most common denominations for money, it never was a real coin, either in gold or silver, in any age or country. Such large and ponderous coins would have been in many respects inconvenient. But for many ages, both in Britain and in other countries, that number of small coins which was denominated a pound in computation, or a pound in sale, really contained a pound of silver, and they might have been and frequently were weighed, as well as numbered, to ascertain their value. If the number of coins that were denominated a pound in sale, did not actually make a pound in weight, an additional number of coins were thrown in to make up the weight.

"Money was coined in the Temple of Juno *Moneta*, whence our English word *money*.

"Coin.—Coin (*cuna, pecunia*) seems to come from the French *coign*,

i.e. angulus, 'a corner;' whence it has been held that the ancientest sort of coin was square with corners, and not round as it now is.

"CASH.—*Cash* in a commercial style signifies the ready money which a merchant or other person has at his present disposal, and is so called from the French term *caisse*, i.e. 'chest or coffer,' for the keeping of money.

"GUINEA.—This coin took its denomination *Guinea*, because the gold whereof the first was struck was brought from that part of Africa so called; for which reason, it likewise formerly bore the impression of an elephant.

"The value or rate of the guinea has varied. It was first struck on the footing of 20*s.*; but, by the scarcity of gold, was afterwards advanced to 21*s.* 6*d.*, and again sunk to 21*s.*

"ANGEL.—The *angel*, called in the French *angelot*, was a gold coin, value 10*s.*, struck in England, where some few are still to be seen in the cabinets of the curious. It had its name from the figure of an angel represented on it; which figure was adopted, according to Rapin and others, to commemorate a pun of Pope Gregory the Great, which seems to have greatly flattered the vanity of the nation. Struck with the fair complexions and blooming countenances of some Anglo-Saxon captives who had been brought to Rome, he inquired of what nation they were, and what they were called, and being answered *Angles*—'Justly be they so called,' quoth he, 'for they have *angel*-like faces, and seem meet to be made co-heirs with the angels in heaven.'

"SHILLING.—The etymology of the word *scylling* would lead us to suppose it to have been a certain quantity of uncoined silver; for whether we derive it from *pcylan*, 'to divide,' or *pceale*, 'a scale,' the idea presented to us by either word is the same; that is, so much silver cut off, as in China, and weighing so much.

"There were none coined till 1504. Fabian mentions them under their proper names, 34 Henry the Eighth.

"A TESTER.—*Tester* is derived from the French word *tête*, 'a head;' a piece of money stamped with a head, which in old French was called '*un testion*,' and which was about the value of an old English sixpence. 'Tester' is used by Shakspeare.

"*Tester*, sixpence, from *teston*, French, an old silver coin, formerly worth 12*d.*, sinking by degrees to gilt brass, and sixpence.

"GROAT.—Other nations, as the Dutch, Polanders, Saxons, Bohemians, French, &c. have likewise the *groats*, *groots*, *groches*, *gros*, &c. In the Saxon times no silver coin bigger than a penny was struck in England, nor after the Conquest until Edward the Third, who, about the year 1351, coined *grosses*, i. e. *groats*, or *great pieces*, which went for 4*d.*; and so the matter stood till the reign of Henry the Eighth, who, in 1504, first coined shillings.

"PENNY, HALFPENNY, FARTHING.—Camden derives the word '*penny*' from the Latin *pecunia*, 'money.'

"The ancient English *penny*, *penig*, or *pening*, was the first silver coin struck in England; nay, and the only one current among our Saxon ancestors; as is agreed by Camden, Spelman, Dr. Hicks, &c.

"The penny was equal in weight to our three-pence; five of them made one shilling, or scilling, Saxon; thirty, a mark, or mancuse, equal to our 7*s.* 6*d.*

"Until the time of King Edward the First, the penny was struck with a cross so deeply indented in it, that it might be easily broke, and parted, on occasion, into two parts, thence called *half-pennies;* or into four, thence called *fourthings*, or *farthings*. But that prince coined it without indenture; in lieu of which, he first struck round halfpence and farthings.

"He also reduced the weight of a penny to a standard; ordering that it should weigh thirty-two grains of wheat, taken out of the middle of the ear. This penny was called the *penny sterling*. Twenty of these pence were to weigh an ounce; whence the penny became a weight, as well as a coin.

"The penny sterling is now used less as a coin, and subsists chiefly as a money of account, containing the 12th part of a shilling, or the 240th part of a pound."*

XX.—*Form of Bond of the Guarantee Society.*

Public Companies Form. AGREEMENT, *No.*_____

£_____

GUARANTEE SOCIETY.

ARTICLES OF AGREEMENT *made and entered into the* ___ *day of* _____ *in the year of our Lord one thousand eight hundred and* _____ *between the three Directors of the Guarantee Society, whose names are hereunto subscribed, on the part and behalf of the said Society of the first part, and* _____ *of the second part.*

Preamble. Whereas the said parties hereto of the second part have applied to the said Guarantee Society for a guarantee to the extent of _____ pounds, against any loss to be sustained by the said _____ by or through any fraud or dishonesty of _____ of _____ while employed by the said _____ in the capacity of _____ And the said society have agreed to enter into such Guarantee accordingly, on the terms and subject to the provisions and conditions herein contained and

* From Notes of a Bookworm.

Considera-tion.

hereunder written. Now these presents witness, that in consideration of the premises, and of the sum of _____ paid on behalf of the said _____ as a premium for such guarantee from the ____ day of _____ until the ____ day of _____, one thousand eight hundred and forty ____ both inclusive, being one year and part of another year: It is

Guarantee.

hereby agreed and declared, that from the said ___ day of ____ to the last day of ____ and thence for one year, *videlicet* to the last day of ____, one thousand eight hundred and forty___ inclusive, and for every successive term of twelve calendar months for and in respect of which the premium of _____ shall be paid to the said society, and the said society shall agree to accept the same (such payment to be made on the last day of _____ in each year, or within fifteen days thereafter, at the office of the Guarantee Society) during the service of the said _____ in the capacity aforesaid, the funds and property of the said society shall, on the terms and subject to the provisions and conditions herein contained and hereunder written, which are to be taken as part of this agreement, and subject also to the provisions of the deed of settlement of the said society, be liable to pay and satisfy unto the said _____ at the expiration of three calendar months after satisfactory proofs and full particulars of the loss, and of the nature and extent thereof (verified, if the said society shall so require, by declaration under the statute of 5 & 6 Wm. IV. c. 62) shall have been received at the office of the said society. All such loss not exceeding _____ pounds (provided such loss shall have happened within eighteen calendar months next preceding the receipt of such proofs and particulars) as the said _____ may sustain from any fraud or dishonesty of the said _____ to be committed after the said ____ day of _____ and during his uninterrupted continuance in the said service in the capacity aforesaid. Provided always that the said _____

Notice of fraud to be given within ten days.

shall within ten days after the discovery of any matter in respect of which any claim may be intended to be made, give notice, in writing, at the office of the Guarantee Society, of such intended claim, and, as far as the case will admit, of all the particulars thereof; and from and after such discovery, the

Security now given to be the funds and property of the society after discharge of prior claims.

guarantee herein contained shall, as to loss by any act of fraud or dishonesty subsequent to such discovery, be at an end: Provided also, and it is hereby agreed, that the funds and property of the said society for the time being remaining undisposed of, and inapplicable to prior claims and demands,

according to the provisions of the said deed of settlement, shall alone be subject to any claim in respect hereof, and that neither any director executing these presents, nor any proprietor or holder of shares in the capital of the said society, shall be individually liable in respect of any such claim, or under this agreement, beyond so much of the amount of the shares then held by him or her in the said capital, and not subject to prior claims and demands, as shall not for the time being have been paid up. Provided also, and it is hereby agreed and declared, that the said _____ shall, in case of making any such claim in writing as aforesaid, forthwith, upon being required by the said society, when lawful, arrest the said _____ for any offence or offences that he may have committed, in respect of which such claim shall have arisen, and personally appear upon any examination or examinations of the said _____ and at his trial; and in that case the said society shall be at liberty, at their own costs and charges, to carry on any prosecution or prosecutions for such offence or offences, and to commence and carry on, in such name or names as they may be advised, and for their own benefit, any actions, suits, or other proceedings against the said _____ for the recovery of any monies or chattels lost by his fraud or dishonesty, or for damages in respect thereof, _____ being hereby indemnified against all costs, charges, damages, and expenses in respect of such prosecutions or other proceedings. And it is further agreed and declared, that when any such loss shall have been satisfied by or on behalf of the said society, an indorsement in satisfaction of all claims shall be made hereon, and signed by the person or persons to whom the amount of such loss shall be paid or satisfied, and thereupon these presents shall be given up to and for the benefit of the said society, to be of no further force or effect against them. In witness whereof, the said parties hereto have hereunto subscribed their names the day and year first above written.

Society to have power to prosecute.

Any payment on account of fraud or dishonesty to be endorsed hereon, and these presents given up to the society.

Witness to the signatures of the three directors.
_____
_____
_____
_____

Witness to the signatures of above named
_____
_____
_____
_____

CONDITIONS OF ASSURANCE.

In the event of any loss for which the society shall be liable, such loss shall be borne by the society, rateably only, and in common with any other person or persons who have already, or shall hereafter during the continuance of this guarantee, become security for the said _____ in the service or employment above mentioned, according to the amount for which each shall be guarantee.

The above agreement is subject to the condition that the answers which have been given and signed by the said _____ and by the said _____ to the questions lettered from *A* to *I*, both inclusive, submitted by the society, and contained in a paper called "Form of Proposal for Guarantee," and dated _____, are in all respects true and correct, otherwise the said agreement to be void.

That no premium shall be returned under any circumstances after the signing of the above agreement.

Examined and registered _____

XXI.—*Provident Clerks' Benevolent Fund.*

RULES AND REGULATIONS.

1. *Title.*—That this branch of the association be called "The Provident Clerks' Benevolent Fund," in connexion with "The Provident Clerks' Mutual Benefit Association."

2. *Object.*—That the object of this branch of the association is to provide funds, by donations, subscriptions, bequests, or otherwise, for the purpose of granting temporary or permanent relief to distressed clerks, who are or have been members, their widows and families.

3. *Members.*—That the following persons shall be members of this branch of the association, and be entitled to vote at all general meetings of this branch of the association, viz.—

First—Members of the Benefit Department who were admitted as clerks on joining the association.

Second—Clerks employed in any public or private establishment within Great Britain, who subscribe to this fund not less than one guinea annually, or have given a donation of not less than ten guineas.

4. *Honorary Members or Subscribers.*—That persons (not being clerks) may become honorary members, by a donation of not less than ten guineas, or an annual subscription of not less than one guinea, and be entitled to vote at elections for annuitants in proportion to the amount of their donations or subscriptions, according to Rule No. 21.

5. *Management.*—That this branch of the association shall be conducted by the same board of management as the benefit department.

6. *Treasurer.*—That John Abel Smith, Esq. M.P. is the treasurer,

and, by virtue of his office, is also a member of the board of management. In the event of death or resignation, the office of treasurer to be filled up by the board.

7. *Trustees.*—That there shall not be less than four trustees, and the funds of this association shall be invested in the names of two or more of the trustees for the time being. The present trustees are—

Thomas Baring, Esq.
Thomson Hankey, jun. Esq.
William George Prescott, Esq.
Baron Lionel de Rothschild, M.P.

And in case of death or resignation, vacancies to be filled up by the board, subject to the approval of the surviving trustees; the said trustees, by virtue of their office, to be members of the board of management.

8. *Auditors.*—That the following gentlemen be the auditors of this branch of the association, viz.—

John Beadnell, Esq.
James William Gilbart, Esq. F.R.S.
Sir John Pirie, Bart. Ald.
George Pollard, Esq.
William Smee, Esq.

any two being competent to act, who shall audit the annual accounts, to be laid before the members at the annual general meeting. Vacancies to be filled up by the board.

9. *Officers.*—That the board may appoint such officers to this branch of the association as may be deemed necessary, with power to remove them and to appoint others, and to fix the amount of their respective salaries or remuneration: the officers to give such security as the board shall require.

10. *Expenses.*—That all expenses shall be equitably divided between the benefit department of this branch of the association; and the proportion to be borne by each shall be settled by the board, previously to making up the annual account.

11. *Special Meeting of the Board of Management.*—That a special meeting of the board may be convened on any emergency by a requisition to the chairman, signed by five members thereof; the requisition to state the object of such special meeting; and the chairman shall call such meeting within one week of receiving the requisition.

12. *Annual General Meeting.*—That an annual general meeting of the members of this branch of the association be held in February in each year, on such day as the board may appoint, when the annual report of the state of the funds, together with the account of the receipts and expenditure of the past year, shall be laid before the meeting. In case of any questions being submitted to the decision of such meeting, the same to be decided by a majority of votes.

13. *Special Meeting of Members.*—That a special meeting of members may be convened by a requisition to the chairman, signed by thirty members at the least; the requisition to state the object of such special meeting; and the chairman shall call such meeting within one month of receiving the requisition.

14. *Permanent Fund.*—That the sum of 10,000*l.* 3 per cent. stock, now invested, or its equivalent, shall constitute the permanent fund of this branch of the association, and shall on no account be reduced below that amount.

That the board may apply the interest of the invested fund, together with such proportion of the annual subscriptions as they may deem fit (after payment of the expenses), to the objects of the association.

That the further increase of the permanent fund shall be at the discretion of the board, except that the amount of all bequests, together with the proportion of the profits to be received from the benefit department every five years, shall be always added to the invested capital.

15. *Casualty Fund.*—That the board be empowered to apportion such part of the available income of this branch of the association as may be deemed expedient, as a casualty fund, from which to grant temporary relief as hereafter mentioned.

16. *Relief.*—That no member, his widow, or family, be eligible for permanent relief, until he has belonged to the association for three years, unless by the sanction of the annual general meeting.

17. *Temporary Relief.*—That temporary relief may be granted from the casualty fund to distressed clerks, who are or have been members, their widows, or families—regard being had in all cases to the number in family, and the length of time the party may have been a member of the association—as follows:

First—By loans, on the security of two responsible persons, or other sufficient security, of sums not exceeding 10*l.* at one time, *without interest*, or of sums above 10*l.* and not exceeding 25*l.* with interest, to be repaid by quarterly instalments, within two years.

Secondly—By gratuities of sums, not exceeding 10*l.* at one time, in cases of long and expensive illness, or other serious calamity, together with medical assistance, at the discretion of the board.

Thirdly—By weekly allowances of sums not exceeding at the rate of 20 guineas per annum, nor for a longer period at any one time than six months.

Fourthly—By weekly allowances to orphan children of deceased members, under fourteen years of age (both parents being dead), the amount to be fixed by the board according to the emergency of the case, but in no instance to exceed 20 guineas to one family; and such allowance, or a proportion of it, to cease as the children respectively attain the age of fourteen years.

That should any member of the benefit department, who was a clerk at the time of his entrance, and has regularly paid his premium for five years at the least, be unable, from distress or otherwise, to continue his payments, the board may have the power, in their discretion, to continue the payments of his premiums from the casualty fund, by way of loan to such members, upon such security as the board may deem fit; the policy being deposited with the association, and any bonus declared upon such policy being first applied to the repayment of the loan.

18. *Permanent Relief.*—That permanent relief be granted by way of annuity, to distressed clerks, who are or have been members of this branch of the association, and who from old age, blindness, or other infirmities, are rendered incapable of obtaining their living.

That the annuitants shall be elected by ballot, as appointed by the subsequent rules, and the annuities be on the following scale, viz.—

If been a member 3 to 10 years ..... £25 per annum.
„ „ 10 to 20 years ..... 30 „
„ „ 20 years and upwards. 35 „

That annuities be granted to widows of members who are incapable of obtaining their living, on the following scale, viz.—

If husband been a member 3 to 10 years ..... £15 per annum.
„ „ 10 to 20 years ..... 20 „
„ „ 20 years and upwards. 25 „

but such annuities to cease, should such widow marry again.

That all annuities be paid quarterly.

That the board have power to increase or decrease, proportionately, the above scales of annuities, according to the amount of funds at their disposal, and such increase or diminution to apply equally to all annuities already granted.

That should it come to the knowledge of the board that any annuitant has been elected by fraud, or has assigned his or her annuity, or, finally, that his or her means of living has improved, so as not to require the aid of the association, the board shall have the power to suspend the payment of such annuity, or to reduce the same as they may consider fit.

19. *Applications for Relief.*—That applications for either temporary or permanent relief, be made according to such forms as the board may require; and every applicant must be recommended by two respectable parties, who are acquainted with the case; that applicants for annuities must send in their testimonials and other documents at least two months previous to the election; and any wilful misrepresentation will invalidate the election of such annuitant.

That the board shall take into its consideration the cases of the various applicants, and, where practicable, make personal inquiries into the truth of their statements, and select such as, in their judgment, are eligible to be balloted for, as well as those deserving of casual relief.

20. *Elections.*—That the election of annuitants shall take place once a year, or oftener, at the discretion of the board, and at such times as they may appoint.

That notice shall be given by public advertisement or otherwise, of the number of annuitants to be elected; and balloting papers be issued for that purpose, with a list of the candidates.

21. *Voting.*—That all members, defined by the first section of the third rule, whose premiums are duly paid, shall be entitled to one vote for each annuitant to be elected; and that all members or subscribers who have given a donation of ten guineas, or a subscription of one guinea, to this branch, (payable annually or half-yearly,) be entitled to one vote for each annuitant to be elected, and an additional vote for every additional donation of ten guineas, or annual subscription of one guinea. That all subscriptions in arrears must be paid up before the party be entitled to vote.

That clerks, being members of the Benefit Department, as well as subscribers or donors to the Benevolent Fund, be entitled to vote in respect of both qualifications.

That members and subscribers may give all their votes to any one candidate, or divide them as they please, according to the number to be elected; they may vote by proxy, the polling paper being first signed by them.

That in the event of an equality of votes for any two candidates, the chairman to give the casting vote; and should any dispute arise as to the election of any candidate, a scrutiny may be demanded on behalf of such candidate, provided a requisition, signed by six members or subscribers at the least, be addressed to the chairman, demanding such scrutiny, and agreeing to pay the expenses of the same.

22. *Alteration of Rules.*—That none of the foregoing rules be altered, amended, or repealed, unless at a special meeting of the board of management, convened for that purpose, who, being so assembled, shall have power to alter, amend, or repeal any of the rules, and substitute new ones in lieu thereof; but such alterations, amendment, or repeal of rules, or substitution of new ones, shall not take effect unless they have received the sanction of the annual general meeting, or of a special general meeting, convened for the purpose.

23. *Situation Book.*—That a book shall be kept, to be called "The Situation Book," in which the members who are out of employment may enter their names, particulars of their former employment, and the nature of that which they are now seeking. This book to be open for the gratuitous inspection of merchants, bankers, and others requiring clerks.

24. *Form of Bequest.*—"I give and bequeath unto the treasurer, for the time being, of the 'Provident Clerks' Mutual Benefit Association,' in trust for the purposes of the Benevolent Fund of that Association, the

sum of £_____ to be paid within _____ months next after my decease, out of such part of my personal estate as may lawfully be bequeathed and appropriated to charitable purposes.

XXII. — *St. Clement Danes Savings' Bank Government Annuity Institution.*

Office, 18, *Serle's Place, two doors from Carey Street, Lincoln's Inn, London.*

The following is the Government Table, and shows the sum required to be paid for an Immediate Annuity of Twenty Pounds, and in proportion for any sum not less than 4*l.* nor exceeding 30*l.* per annum :—

AGE.	£	*s.*	*d.*	AGE.	£	*s.*	*d.*
If 15 and under 16	377	15	6	If 48 and under 49	271	0	4
16 „ 17	374	4	1	49 „ 50	265	1	4
17 „ 18	370	16	7	50 „ 51	259	0	4
18 „ 19	367	14	6	51 „ 52	252	18	11
19 „ 20	364	19	11	52 „ 53	247	1	8
20 „ 21	362	12	2	53 „ 54	241	5	11
21 „ 22	360	10	5	54 „ 55	235	12	7
22 „ 23	359	0	4	55 „ 56	230	1	5
23 „ 24	357	12	6	56 „ 57	224	11	8
24 „ 25	356	4	7	57 „ 58	219	3	8
25 „ 26	354	15	3	58 „ 59	213	15	9
26 „ 27	353	3	0	59 „ 60	208	6	2
27 „ 28	351	1	8	60 „ 61	202	14	4
28 „ 29	348	17	1	61 „ 62	196	17	5
29 „ 30	346	9	5	62 „ 63	190	14	11
30 „ 31	343	18	10	63 „ 64	184	8	0
31 „ 32	341	5	5	64 „ 65	178	1	0
32 „ 33	338	9	5	65 „ 66	171	14	2
33 „ 34	335	9	11	66 „ 67	165	7	5
34 „ 35	332	6	9	67 „ 68	159	9	1
35 „ 36	328	19	11	68 „ 69	153	12	0
36 „ 37	325	9	11	69 „ 70	147	16	2
37 „ 38	321	17	7	70 „ 71	142	2	6
38 „ 39	318	2	11	71 „ 72	136	11	9
39 „ 40	314	6	7	72 „ 73	131	3	7
40 „ 41	310	7	9	73 „ 74	125	14	8
41 „ 42	306	5	10	74 „ 75	120	1	5
42 „ 43	301	18	6	75 „ 76	114	4	7
43 „ 44	297	7	10	76 „ 77	108	4	3
44 „ 45	292	12	6	77 „ 78	101	7	5
45 „ 46	287	12	6	78 „ 79	94	11	10
46 „ 47	282	7	10	79 „ 80	88	1	10
47 „ 48	276	16	0	80 or any greater age	81	14	10

XXIII.—*Comparative View of the Expectation of Life according to the different Tables of Mortality.*

Age.	Northampton.	Carlisle.	Government Annuitants.	
			Male.	Female.
0	25.18	38.72	50.16	55.51
1	32.74	44.68	50.13	55.59
5	40.84	51.25	48.93	54.23
10	39.78	48.82	45.57	51.05
15	36.51	45.00	41.76	47.19
20	33.43	41.46	38.39	43.99
25	30.85	37.86	35.90	40.81
30	28.27	34.34	33.17	37.57
31	27.76	33.68	32.59	36.91
32	27.24	33.03	32.00	36.26
33	26.72	32.36	31.40	35.61
34	26.20	31.68	30.79	34.96
35	25.68	31.00	30.17	34.31
36	25.16	30.32	29.54	33.68
37	24.64	29.64	28.91	33.04
38	24.12	28.96	28.28	32.40
39	23.60	28.28	27.65	31.76
40	23.08	27.61	27.02	31.12
41	22.56	26.97	26.39	30.46
42	22.04	26.34	25.74	29.81
43	21.54	25.71	25.08	29.14
44	21.03	25.09	24.42	28.48
45	20.52	24.46	23.75	27.81
50	17.99	21.11	20.30	24.35
55	15.58	17.58	17.15	20.79
60	13.21	14.34	14.39	17.32
65	10.88	11.79	11.63	14.00
70	8.60	9.18	9.22	10.99
75	6.54	7.01	7.12	8.46
80	4.75	5.51	4.94	6.50
85	3.37	4.12	3.12	4.84
90	2.41	3.28	1.95	2.83
95	0.75	3.53	1.18	1.55
100	...	2.28	...	0.50

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